



AR02

THE ROYAL BANK OF CANADA



ANNUAL REPORT 1984



Cover: The younger generation is growing up in a world increasingly being transformed by the extensive use of technology, a transformation in which The Royal Bank of Canada is heavily involved.

Our cover symbolizes these themes, as the Bank's Personal Touch Banking machines typify the development of computer and communications technology to improve our services and their accessibility to our customers of all ages.

The Royal Bank of Canada, chartered in 1869, is Canada's largest chartered bank, with assets at the end of fiscal 1984 of \$88 billion. Two fundamental goals have always been paramount: excellence in banking service throughout Canada and vigorous participation in international financial markets.

The Royal Bank's extensive network of branches, subsidiaries and affiliates comprises over 1,700 operating units in 46 countries. One of the world's largest retail banks, the Royal is also North America's fifth largest bank overall.

Corporate Headquarters is in Montreal, with certain head office functions in Toronto, Winnipeg and Calgary. To bring prompt decision-making close to clients, the Bank's operations are managed through 11 regional headquarters, seven across Canada and four in major world financial centres.

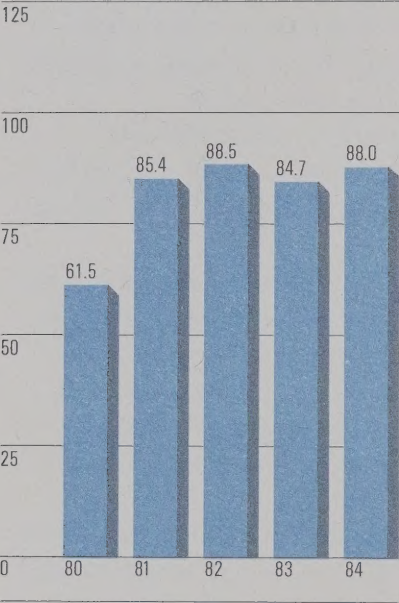
The Bank's domestic operations include a network of 1,440 branches serving individuals, businesses and communities across the country, many specializing in particular market sectors.

The Bank's international operations account for more than a third of its assets. Global coverage is provided by over 270 commercial, wholesale and retail operating units and through more than 5,000 correspondent banking relationships in nearly every country of the world.

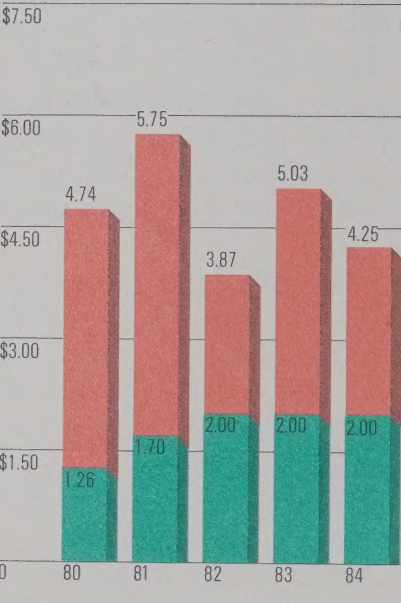
The Royal Bank is a leader in the application of new technologies to efficient operational management and in making possible a variety of sophisticated new services.

Royal Bank management believes that success is best achieved through providing the highest quality retail and wholesale banking services where clients need them. To that end, the Bank focusses on the selection, training and development of its staff and puts a heavy premium upon responsiveness, innovation, skill and knowledge, as well as judgment, integrity and the highest standards of ethics and social responsibility.

Total Assets
(at October 31)
(\$ Billions)



Earnings per Share
(Basic)



■ Dividends per Share

Return on Equity
(Per Cent)



FINANCIAL HIGHLIGHTS

For the year ended October 31	1984	1983	Per Cent Change
Earnings Data			
Net income (\$ millions)	\$450	\$480	(6.3)%
Return on (average) assets	.52%	.55%	(5.5)
Return on (average) equity	13.8%	16.8%	(17.9)
Balance Sheet Data			
(\$ millions)			
Loans	\$59,014	\$58,067	1.6
Total assets	88,003	84,682	3.9
Debentures	1,336	1,119	19.4
Capital and reserves	3,741	3,299	13.4
Capital and reserves/assets	4.25%	3.90%	9.0
Common Stock Data			
Income per share			
Basic	\$ 4.25	\$ 5.03	(15.5)
Fully diluted	3.87	4.58	(15.5)
Dividends per share	2.00	2.00	—
Share price:			
High	35.38	36.00	(1.7)
Low	24.88	23.50	5.9
Book value – October 31	30.85	30.05	2.7
Number of:			
Shareholders	79,085	62,332	26.9
Common shares outstanding (thousands)	92,873	88,162	5.3
Employees	38,189	38,687	(1.3)
Branches	1,510	1,536	(1.7)

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■ The preparation of the Annual Report of a bank operating in Canada and in the international financial arena involves reviewing not only the specific events and actions which affected the bank directly. It also involves attention to general economic conditions in Canada and abroad, as they affected both the bank and its customers — individuals, businesses large and small, and governments.

For 1984, the report is a mixed one, which includes both good news and bad news. Indeed, one suspects that much may depend upon the attitude of the viewer — pessimists will tend to point to the very real problems; optimists will prefer to notice the positive factors, including the significant progress made in dealing with problems.

On the negative side, the international economic recovery has not been uniformly vigorous; the problem of developing-country debt is still with us; and though interest rates have declined considerably, they are still relatively high in real terms. In Canada, the recovery has also been uneven; unemployment remains stubbornly high; and real interest rates remain high by historic standards.

But there are also significant positive factors to report. The international debt situation improved markedly during the year, with increasing global economic activity, and a clear pattern of cooperation becoming well-established between borrowers, lenders, governments and international official agencies. Inflation has been dramatically reduced in Canada and the United States. The Canadian economy showed general improvement over 1983 and, even more dramatically, over 1982. Interest and exchange rates have become much more stable, in contrast to the volatility of recent times.

With regard to The Royal Bank of Canada specifically, the picture also has both dark and light sides. The year saw a continued high level of non-performing loans in our portfolio, with their negative effect on earnings. Loan demand was slack, with consequent constraint in asset growth. On the other hand, significant progress was made in strengthening the capital base of the Bank; there was success in managing the Bank's non-interest expenses; and we believe solid progress has been achieved in improving efficiency and productivity in the Bank's own management processes and in the delivery of its services. Overall, we believe the information and analysis contained in the following pages of this Report will bear out our view that while we are certainly living in "tough times", much has been achieved in the past year, and there is every reason for both pride in the past and confidence in the future.

Apart from the challenges arising from the economic factors, we are also conscious of those posed by an increasingly competitive marketplace, which is characterized by a fast-changing roster of players.

Indeed, there has been tremendous growth, not only in the number but also in the variety of competitors in the financial services industry in Canada. Many new foreign-owned banks have opened here in the past three years, and they are strong competitors. Meanwhile, a growing number of non-financial companies are entering the financial services field, and the services of insurance, trust, investment and banking institutions are increasingly overlapping.

This is all taking place within a total market which is growing slowly, and in which customers, large and small, are becoming increasingly sophisticated and demanding.

In short, the evidence is clear that the financial services industry is moving into a new era, a change which has profound implications for the ways in which banks and their competitors must approach their clients' total financial service needs. It is also clear that the legislative and regulatory "rules of the game" have not kept up with developments — a fact which is fuelling the current lively debate on "financial services industry restructuring".



■
Rowland C. Frazee
Chairman and
Chief Executive Officer



■
Allan R. Taylor
President and
Chief Operating Officer

History shows that client needs and the initiatives of those responding to them invariably tend to render irrelevant any neat theoretical models for regulation. For example, we believe the model of "four pillars" is an inaccurate description of the Canadian situation — an inappropriate reference point, best abandoned. The key point is that legislators and regulators, in redefining the rules, must understand and respond flexibly and pragmatically to the evolving realities of customer needs and market responses, rather than to fixed theoretical concepts.

While we are convinced that legislation and regulation governing the financial services industry require considerable change, and advocate broader powers for all segments, we also believe the process of change should be an orderly and deliberate one, with due attention given to the inherent dangers.

The public interest requires, for example, that careful thought be given to such questions as the potential for conflicts of interest; the proper protection of depositors' funds; and the importance of consistency in the rules imposed by the country's eleven different jurisdictions. Inconsistencies distort the system, create inequities and cause inefficiencies, so we believe harmonization to be a crucial need.

In the end, the only justification for changing regulations is to encourage improvements in service to Canadians, by strengthening the financial service industry's capacity to play a strongly contributive role in the economy. The guiding principle of "restructuring" must be the overall interest of the Canadian economy and the Canadian people.

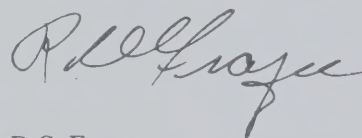
After 115 years of operation, facing changes is nothing new to the Royal Bank. Nevertheless, the changes we face today are the most profound and far-reaching yet encountered. Despite this, we are confident that our strategies are appropriate for today's evolving circumstances.

In this respect, in 1983 we identified certain priorities as points of focus for efforts to strengthen our leadership position. They included emphasis on: quality of assets and improving our risk-assessment processes; our competitive funding ability; productivity and control of non-interest expenses; further development of our technological capabilities; extensive efforts in training of management and staff; and continued priority on the quality of customer service.

We are pleased to be able to report real progress in all of these areas. Some achievements, such as in expense control, are reflected directly in the bottom line. Others are providing more indirect and long-term benefits by way of improvements in management and staff performance. In this regard, we must once again comment on the

extraordinary efforts and contribution made by our staff across the entire system. In a year which was anything but easy, they once again rose to the occasion with remarkable energy and dedication.

The visual theme of this Report illustrates the breadth of activities of our staff during 1984, increasingly aided by technology directly on the job and behind the scenes. The quality of Royal Bankers in these times bodes well for the future. Appropriately, therefore, it is to the people of The Royal Bank of Canada that we are once again pleased to dedicate this Annual Report.



R.C. Frazee
Chairman and Chief Executive Officer



A.R. Taylor
President and Chief Operating Officer

The Royal's growing number of automated banking machines is visible evidence of its commitment to using technology to improve customer service. CP Air Captain J.C. McInnis regularly uses our convenient machines at Vancouver International Airport.





■ The financial services industry in Canada continued to change rapidly during 1984 as competition intensified and customers became more selective. At the end of our fiscal year, for example, there were 72 chartered banks in Canada whereas five years ago there were 12. There are also a growing number of near-banks and quasi-financial companies entering the domestic banking business. The collective impact of these developments has been dramatic.

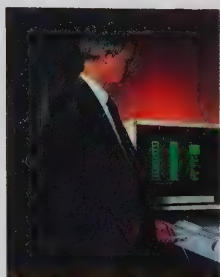
In 1984, our domestic operations faced some of the greatest challenges in our history. In dealing with these our staff have focussed on the goals of becoming more innovative, taking greater advantage of computer and communications technology, and improving management skills — all with the aim of providing better service to our clients.

Domestically, the Royal is segmented into three market-oriented areas: Retail Banking; Commercial Banking and National Accounts; and Global Energy and Minerals. In addition, the country's largest corporations are served by our World Corporate Banking Division.

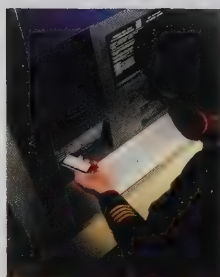
The Retail Banking group is responsible for service to consumers, independent businesses and agriculture. The Commercial Banking and National Accounts group serves companies with sales above \$5 million with the exception of those major accounts that fall into the World Corporate Banking category. Global Energy and Minerals is responsible for resource-based companies in Canada and provides support to other operating divisions. Across Canada, seven regional headquarters groups focus on distinct geographic markets in order to identify specific local market needs and adjust sensitively to local conditions.

During the high-asset-growth period of the late 1970's, the attention of many onlookers was drawn primarily to international, corporate and large commercial banking operations. More recent events and conditions have, however, reminded analysts and bankers alike of the fundamental importance of those operations managed by the Retail Banking group —

A knowledge of computer applications is becoming indispensable to many of our staff. Rick Bright, Manager, Training (left), demonstrates the advantages of the micro-computer as a powerful supplement to conventional financial analysis.



■ Jim Munro, Manager, Trade Finance, visits the computer-assisted design facilities of The SNC Group, Montreal, a leading Canadian engineering company.



■ Our network of 712 automated banking machines, the largest in Canada, makes extended banking hours available to customers across the country.



■ Peter Gray-Donald, Senior Manager, National Accounts (right), is shown details of an international project by SNC's Martin Poirier (standing) and Maurice Dellière.



especially because of the significance to the Bank of the large and stable base of Canadian consumer deposits.

One of the key reasons for the Royal's success in this market has been our long-standing commitment to staff training. As the skill, attitude and knowledge of customer-contact personnel are major factors distinguishing one service provider from its competitors, training becomes a crucial element in the competitive mix. Accordingly, our investment in training has progressively increased in recent years.

In 1984, a good example was the installation, in branches and offices across Canada, of some 650 video-cassette players to be used to help build employee knowledge and understanding of products and services. We are finding that television, used in this way, is one of the most effective training media available.

Consumer Banking

To serve clients better, and to be successful in a competitive sense, customer service staff need quality products. Several were developed during 1984. The Royal Buy-Back Car Loan, introduced in April as the first program of its kind in North America, drew a great deal of attention and brought more people seeking car loans into our branches. With this addition to our range of car loan plans, our staff were able to provide each customer with a plan tailored to his or her needs.

The Royal was also at the forefront of an aggressive battle for the country's residential mortgage business. During 1984 we announced three mortgage enhancements geared to make our program more flexible. The first new feature was a flat rate \$65 application/appraisal fee for mortgages on existing housing. This compares with rates of up to \$200 for the same service at other institutions.

We introduced an \$85 "switching" fee in most provinces which allowed homeowners to transfer their mortgage to the Royal from other lenders for a much lower

fee than charged by the competition.

We also brought in a Mortgage Rate Protection Plan Option as a way for customers to hedge against rising interest rates. These changes to our mortgage package — together with the customer-service efforts of our front-line personnel — contributed towards an 11.8% increase in our portfolio during 1984, further consolidating our position as Canada's leading residential mortgage lender.

Competition for consumer deposits during the year was particularly intense, with many more institutions bidding for deposits and with several leading financial institutions introducing new or improved deposit vehicles. The Royal enhanced its Daily Interest Signature Chequing Account by changing it to a tiered-interest-rate account to compete at different deposit levels with all forms of deposit accounts including term deposits.

In 1984 Royal Bank VISA maintained its position as the largest bank card program in the country. We were the first Canadian VISA issuer to adopt the new international card design with improved security features. We also initiated several merchant experiments with in-store terminals for on-line VISA authorizations.

During the year the Bank opened its first private banking centre in Vancouver. Designed to bring individually-tailored service to the "high-net-worth individual" who has specialized banking needs, more of these units will be opened in other locations, including Toronto and Montreal, in 1985.

Delivery of improved bank services through increased use of computer and communications technology was also a key thrust. For example, our network of Personal Touch Banking machines grew by year end to 712, by far the largest in Canada and the only one which included machines at major airports. Pilot tests of in-branch countertop units are also underway.

We also made significant progress in the expansion of our automated banking machine (ABM) network through “sharing” agreements. In October the Bank joined the Plus System Inc. shared ABM network which has 3,800 banking machines in the U.S. This agreement gives the Royal proprietary ownership of the Plus name in Canada and will give our cardholders access to ABMs in 47 U.S. states beginning in mid-1985. We complemented this arrangement in the U.S. by signing a domestic ABM sharing agreement with three of Canada’s largest chartered banks and Quebec’s caisses populaires movement. The domestic agreement provides the customers of its five members access to a set number of shared ABMs in Canada and leaves the door open for other members in the future.

These ABM sharing agreements and our recent experiments with automated VISA authorization point to the prospect of increased cooperation between financial institutions on provision of financial services at retailers’ point of sale. It is clear that segments of the financial services industry will — where it is appropriate — be sharing more technology in order to pave the way for the further cost-effective development of electronic funds transfer systems.

Agriculture

These are difficult times for many Canadian farmers. In some areas weather conditions have caused extensive damage; commodity prices have not kept pace with farm expenses; and asset values have shrunk considerably in the last five years. In such times, sound financial management of farm operations takes on even greater importance than in easier times.

The Royal’s commitment to Canada’s farming community remains firm. That commitment was restated this year and our farm lending policies updated. Both were communicated clearly to the agricultural community through advertising and the distribution of special publications, including our own RoyFarm Business Review.



Our strength in serving the agricultural markets is partly due to our strong knowledge of clients' needs. Jack Martin, Senior Account Manager at the Royal's local Commercial Banking Centre, is shown following prices on the Winnipeg Commodity Exchange.



As a part of our ongoing efforts to assist the development of sound business management in Canadian farming, the Royal initiated a financial management seminar for farm spouses. So far, seminars have been well-received in Saskatchewan and Ontario, and more are planned. These efforts to foster growth of the skills needed for financial management of successful agri-business complement our extensive use of up-to-date analytical tools on the farm. In 1983 the Bank equipped its 45 agrologists with portable micro-computers so they could provide farm operators with on-the-spot financial analyses and projections. During 1984, a growing number of our farm customers benefited from such analyses, and we anticipate even more emphasis on this service as we further develop supporting computer software.

Approximately five per cent of our farm clients are experiencing serious financial difficulty, often as a result of the combination of low product prices, high input costs and a large debt-service load. Our approach in these instances is to explore thoroughly every possible avenue to recovery of the operation, with realization of the Bank's security being a last resort.

As a lender involved in agriculture for many decades, we recognize the cyclical nature of farming. There have been difficult times before in agriculture, but they have invariably been followed by improved conditions. The majority of farmers will survive these lean times by managing their affairs well and working together with a responsible lender. At the Royal, we remain committed to this important sector of Canada's economy.

Independent Business

The Bank's approach to independent business, a category which accounts for 90% of our business clients, parallels our approach to agriculture. We have a separate department at Head Office dedicated to these clients, and we also have senior

managers focussed on this market area in every district. Our independent business specialists are grouped into "hub branches" to streamline and improve the delivery of our services to the nation's entrepreneurs. These branches are distinct from our specialized commercial centres which serve larger corporations.

Since 1973 the Bank has introduced a number of special services for independent business clients and our product line continues to expand. In 1984 we announced new fixed-rate financing plans for independent-business loans over \$50,000, as well as variable-rate, fixed-payment financing for businesses. These loans make it easier for smaller firms to budget their regular loan payments. We have also introduced new programs for pre-practising and established professionals.

The Royal is keenly involved in supporting efforts to recognize the importance of independent business in this country to future economic growth and job creation in Canada. For the second consecutive year, we held special events in selected branches during National Small Business Week to salute our clients and in Quebec we were the prime sponsor of the Salon de la petite et moyenne entreprise (PME) at Montreal's new convention centre, attended by some 35,000 business people. In Ontario, we organized a series of economic briefings designed for entrepreneurs in five areas of the province, while similar activities were held in other parts of the country.

To contribute to the financial management skills of our business clients we publish the popular "Your Business Matters" series of booklets on small business financial management, distributing some 100,000 of these booklets in 1984.

Commercial Banking and National Accounts

Demand for business loans remained soft throughout 1984 as Canadian corporations slowly shook off the effects of the past recession and competition between an expanded number of financial intermediaries in Canada was more intensified.



Visiting clients at their work helps us improve our service to them. Jimmy Bricker (left), Manager, Agricultural Services, discusses a computer projection on the marketing of a bumper apple crop with Dave Johnson, owner of Willowbank Farms, Wolfville, N.S.



■ Don Pincourt, Assistant Manager, Commercial Markets, services a variety of businesses in the Winnipeg area, including several in the agricultural industry.



■ Barrington Passage, N.S., Manager Roger Samson (second from left) shares the action aboard the lobster boat of client E.O. Smith (left).



■ Ernie Kempthorne (left), Manager at Winkler, Man., visits Ray Friesen, the owner of Pryme Pork Limited of St. Malo, Man., on his hog farm.



Retail Banking had an active year. Some of those involved in launching several new or improved services prepare for a marketing meeting: (left to right) George Robertson (standing), Wayland Amy, Anita Fernandes, Jim Walker, Alex Steven (standing), Gwyn Gill, Roger Silverthorne, and Aron Klassen.



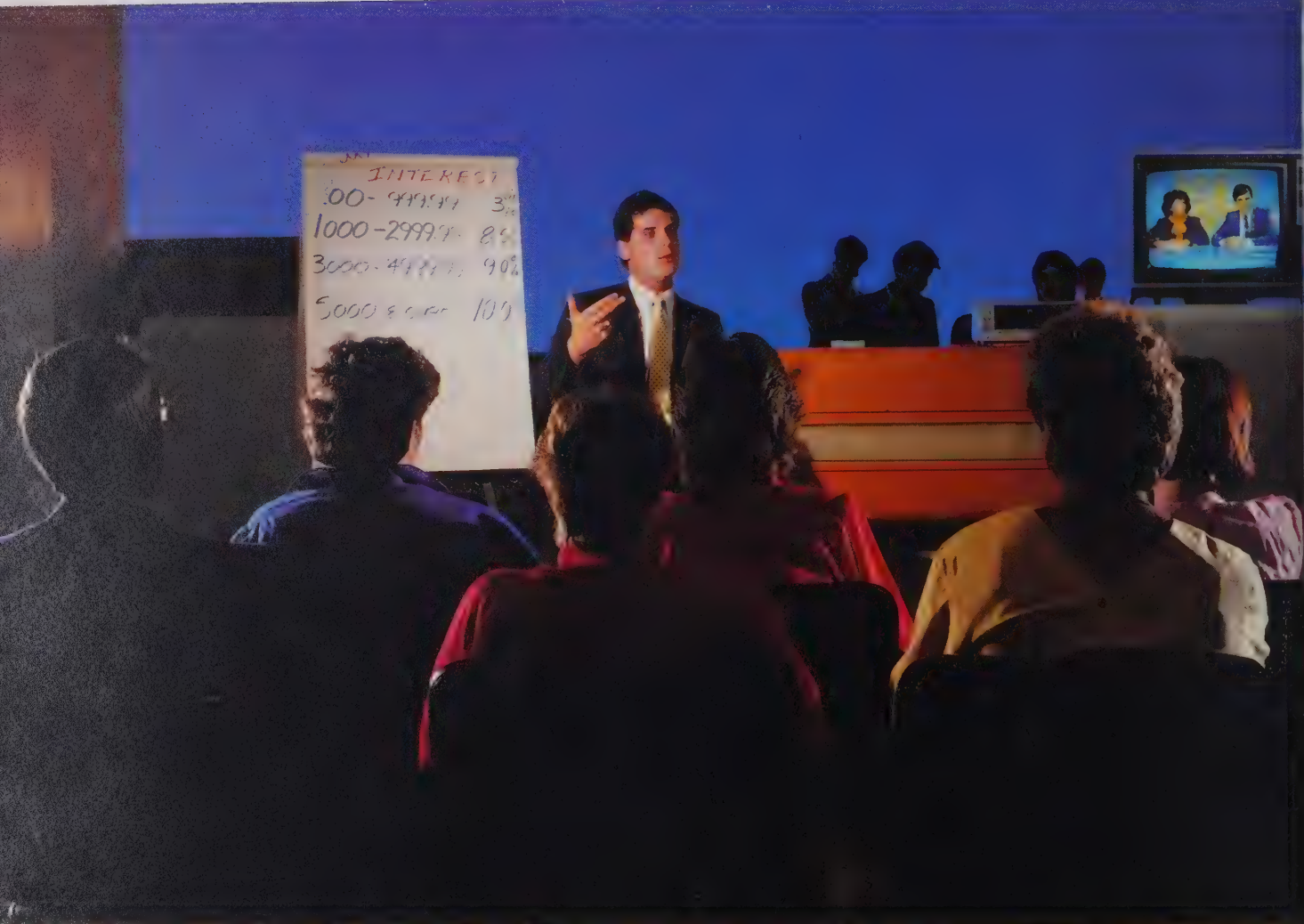
As a result, the Royal's commercial bankers focussed their attention on loan portfolio management, including efforts to reduce the total of non-performing loans; on product, marketing and service-delivery innovations; and on strengthening account management capabilities. Especially, the concentration was on customer needs and on the quality of customer service.

The Bank's non-performing loans, while declining somewhat, remained at a higher level than had been expected. Thus, a major priority for the Commercial Banking and National Accounts group during the year was managing the quality of the loan portfolio. This included extensive work with customers in financial difficulties, to devise financial packages which will enable these firms to return to health. Where it is clear this is not possible, our account managers and "work-out" specialists have worked equally hard to ensure that the resolution is achieved with maximum care and compassion for all those involved, while protecting the interests of the Bank, its depositors and shareholders.

To help assure the quality of new loans, major emphasis has been placed on training. Risk analysis capabilities have been upgraded through comprehensive credit courses at the Bank's new Toronto Training Centre. In addition, account management personnel are expanding the use of our on-line computer financial analysis system, as well as using a new financial modelling system based on microcomputers.

In an increasingly competitive environment, the successful marketer of services must rely on an ever-more finely-tuned appreciation of the special needs of particular market segments, whether distinguished by industry, by geographic location, or by size. Such "targeting" enables tailoring of services and service-delivery methods, through precise adaptation to client needs. This strategy, in the Royal's case, led, for example, to the formation of a specialized account management group in Ontario, directing its attention specifically to the federal,

The Bank's extensive network provides convenient access to financial services in communities across Canada. In the Fairview Branch, Halifax, Nova Scotia, John MacDonald leads a discussion after a video training session about the new Signature Account.



■ Clients of Dave Darling, Manager of the Commercial Centre in Burlington, Ontario, find advantages in having services provided in one location specializing in their needs.



■ When working at Shawinigan Main Branch in Quebec, Janine Branchaud and Jean-Claude Dussault were early winners of the \$10,000 top award in our Staff Suggestion Program.



■ The cookie business of Paige Sillix in King City, Ontario, originated with the help of a loan provided under the Student Venture Capital program.



provincial and municipal public sectors, as well as financial service companies. Similar approaches elsewhere promise well.

One important "value-added" factor for customers is information. The Bank regularly runs regional economic briefings and industry seminars as one way of sharing up-to-date economic information with clients. As well, 1984 saw the launch of an expanded Canadian Treasury Management Review, devoted to providing its readers with an improved understanding of new developments in treasury management techniques.

As the days when commercial clients needed only loans is long past, the premium in today's market is on specialized services — "products" — which are responsive to particular customer requirements. A good example is the Royal's electronic business banking system, CashCommand, with almost twice as many clients at the end of 1984 as there were a year earlier.

A key priority continues to be the development of new services which, because of their benefits to both client and bank, demonstrate what we in the Royal have called "productive imagination". For example, on the financing side, two fixed-rate lending programs were introduced in 1984, and two new electronic banking services — "Deposit Auditor" and "Transact" — were launched. These and other new services were developed through close liaison with customers, an approach which we have found to be to our mutual benefit.

In the Commercial Banking and National Accounts group we have been working to strengthen our client relationships and improve the actual delivery of lending and non-lending services.

First, there has been substantial expansion of electronic product delivery by means of direct computer-to-computer links with clients. Second, 1984 saw the ongoing extension of our network of dedicated commercial centres, as well as broad expansion of the Royal's account management system across the country. This means that a designated individual, the account manager, becomes the key professional link between client, the Bank's branch network, and the Bank's

other service groups, such as processing centres. Finally, the skill and knowledge of the account managers themselves continued to be upgraded by a broad range of skills, service and sales training programs.

Treasury and Money Markets

Treasury and Money Markets Division, operating domestically and internationally, is responsible for the Bank's capital funds management; the continuing diversification of our funding sources; our investment portfolios; and the Bank's liquidity position. It also provides complete foreign exchange and money markets services to clients.

The coordinated efforts of our principal Treasury operations in the major international financial centres — London, New York, San Francisco, Paris, Hong Kong, Singapore and Tokyo — have led to considerable success in providing competitive foreign exchange and money market services at a local level to our branches and clients. We are extending this approach in Canada through the creation of client-oriented Treasury Units in the major Canadian centres, and are encouraged by the early favourable results of the Toronto and Montreal operations.

To diversify its sources of foreign exchange revenue, the Royal has expanded its trading in several currencies and currency composites, including the European Currency Unit. This will build on our historically strong base in the US/Canadian dollar and US/Sterling markets.

The Royal's strength in the provision of foreign exchange and money market services reflects the quality of our people, supported by state-of-the-art communications links allowing them to offer competitive prices and fast response times.

Treasury Division continues to play a major role in the Bank's capital funds management with market innovation being increasingly important. The Bank's involvement in such activities as interest rate swaps has been further facilitated by additional trained resources being applied to the capital markets area.

■ In 1984, the economic and financial problems of the developing world continued to cast a shadow on international banking activities.

Despite the lack of equilibrium in the global economic recovery we did begin to see the positive effects of the strict economic programs adopted by such countries as Brazil and Mexico. A trade surplus for Brazil of US\$12 billion projected for 1984 was welcome news and the successful negotiation of the longer-term Mexican rescheduling was a major step forward.

From a longer term perspective, our international operations have been very profitable. Given that the current financial performance of the international operations represents a low point in a cycle, we are confident there will be a future return to higher profit levels. During the year, a number of steps were taken to accelerate this process.

Our attention focussed on five areas: controlling and actually reducing non-interest expenses; improving the quality of our international assets; enhancing our management information and operational systems capability; training; and developing and marketing fee-based products.

International Banking

The International Banking Division is responsible for the management and operations of the Bank's international network. It is also responsible for private, retail and commercial banking outside Canada, the provision of banking services at the local level to multi-national corporations and for loans to sovereign governments. Correspondent banking and trade finance were combined during the year into a single business unit better able to take advantage of the Bank's physical and electronic networks.

A key task in 1984 involved the continuing reduction of costs to bring our expenses in line with revenue expectations, with the rationalization of our international network as an important element.





Sophisticated technology backs our money markets people in providing good service and competitive pricing. André Charbonneau (centre right), Chief Trader, is seen during a hectic period at the Toronto international money markets operation.

Our strategy has been to withdraw from markets that are either not critical to our objectives or where profit potential is poor. These considerations, for example, resulted during the year in the sale of operations in Guyana.

Similarly, in February, the Bank sold its interest in Bankhaus Bohl and concentrated its business in Germany within our subsidiary, The Royal Bank of Canada A.G.

To reduce costs we also integrated three area headquarters into one centre located in London, England, to cover the U.K. and continental Europe, the Middle East and Africa. Similarly, in the United States, we streamlined operations at our Portland branch and at The Royal Bank and Trust Company in New York.

These actions have resulted in more efficient operations while we laid the groundwork for future profitable growth.

In August, for example, the Bank opened a representative office in Panama to develop wholesale banking in Central America, Colombia, Ecuador and Peru. Near year-end we applied for a banking licence in Australia in a joint venture with the National Mutual Life Association of Australasia, Australia's second largest insurance company.

At the end of the fiscal year we applied to upgrade our Madrid representative office to a full branch, thus moving to strengthen our network in continental Europe.

The Bank's computerized systems and electronic communications network were also enhanced in 1984. Our objective is to use our physical and electronic networks to deliver products which take full advantage of the Bank's special strengths such as Canadian trade financing and correspondent banking.

Much of our effort in 1984 was devoted to enhancing our international systems capabilities. These efforts included work on the installation of several on-line, real-time systems including, for instance, RAPIDS — Royal Automated Payments and International Disbursements System —

in New York. Likewise, installation of a state-of-the-art securities processing capability in The Royal Bank and Trust Company in New York has enhanced our ability to service clients dealing in the U.S. equity and bond markets. As well, similar loans and term deposit systems in New York Branch, Portland Branch, Miami Agency and The Royal Bank and Trust Company have improved our responses to client needs.

Despite network rationalization, during 1984 we continued to strengthen our operations in three high-potential retail and commercial markets: the Bahamas, Puerto Rico and Barbados.

Two major projects in the Bahamas — the opening of our new Freeport Branch and the beginning of the redevelopment of our main branch in Nassau — confirm our confidence in this market. In March Bahamians themselves confirmed their confidence in the Royal Bank, as an offering of 1.3 million new shares in Finance Corporation of the Bahamas Limited (FINCO) was oversubscribed. The issue enabled local residents to have a 25% equity in this savings and mortgage subsidiary.

In Puerto Rico, plans are well underway to organize the 16 branches of our subsidiary, Banco de San Juan, and three branches of The Royal Bank of Canada into two separate marketing units geared specifically to consumer and commercial customers.

Private banking, an extension of the Bank's retail and merchant banking activities applied to the "high-net-worth" individual customer, has been approached by the Royal both in Canada and abroad.

To serve this important and growing client group, with its unique characteristics, the Bank has dedicated field professionals to bring client and product together. Full deposit services are a priority, along with trustee, company and investment management through various mutual funds and unit trusts.

Internationally, service delivery has been concentrated through subsidiaries in the Channel Islands and Switzerland. Field representatives cover the Pacific

Rim from Hong Kong; Latin America from Miami; Europe from various points on the continent; and the Middle East from Bahrain.

There were indications of increased lending activity in the United States during 1984, aided by the economic recovery, and in Asia our business continued to be strong. However, other commercial markets in which we are active, notably Germany and the Caribbean, offered less opportunity for growth.

World Corporate Banking

The market for corporate financial services continues to be intensely competitive in Canada and elsewhere. Our key priority in 1984 was to ensure that the Bank retained a leadership position in corporate banking in Canada while developing and expanding services in other key markets, particularly the U.S.A., where the Royal is a well-established corporate bank. This involved a number of actions designed to maximize our ability to compete effectively and profitably.

Our service approach to the multi-nationals and large corporations making up this market is based on the concept of relationship management. This process has significantly enhanced our ability to focus bank-wide resources on the specific needs of a client.

Today, we are required to provide our corporate clients with a large number of products ranging from basic deposit services to conventional lending activities and more complex investment banking and project financing services. The efficient and effective delivery of these services — both credit and non-credit — is the key to relationship management.

Being competitive means being able to provide a "value-added" benefit to customers in this as in all sectors of the market. We believe that our strong international network and merchant banking capabilities represent a highly competitive combination.

Canadian exporters rely upon the Royal's international network and expertise for their specialized needs. G.M.D. Bridger of CAE Electronics, Montreal, (centre) discusses a shipment of flight simulators with Eric Patterson (left) and Rollie Laliberte from our Quebec International Centre.



■ Claudia Cook and Bernd Schroder of our Toronto project finance group, discuss details of a forthcoming overseas project with a client.



■ José Leandro manages our Treasury Services desk in Toronto. This unit coordinates the provision of foreign exchange, money market and related services to Ontario branches.



■ Our correspondent banks extend the availability of our international services. Robert Braeunig (left), Commerzbank, meets Mauri Myllykangas of Ford Motor Company at their Oakville plant.

A good example of this combination at work involved a \$325 million project financing earlier in the year for which the Royal was the agent and, along with a German and a French bank, one of the three lead managers and underwriters. This Potocan project, a joint venture involving Denison Mines and Potocan Company of Canada, involves the construction of a potash mine in New Brunswick.

The project involved the close support of a number of business units within the Royal Bank Group. Mining specialists from our Global Energy and Minerals Group were brought in to evaluate the project's physical elements while a project financing team from our domestic merchant banking group structured the innovative financial package. Units of the Bank's network both in France and Germany provided input during negotiations with the European participants.

The Royal's involvement in the financing of a billion-dollar auto plant to be established by American Motors in Brampton, Ontario, also illustrates how the Bank's international network plays an important role in Canada.

The opportunity for the Bank to become the joint lead manager and underwriter with two other Canadian banks for a \$350 million project financing associated with the new plant was developed by Royal Bank account managers in Europe and the United States.

To meet our corporate customers' needs for quick decisions, it is critical that we have a strong management information systems capability. The introduction of sophisticated technology used in communications and operations continued in 1984 and remains an ongoing priority.

By March all account management teams in the United States and Europe were linked to the World Corporate Banking Division's client information system. This was a necessary step in our move towards the management of our business on a total relationship basis rather than on a transactional basis.



Before visiting a client corporation in New York, Michael Watson (second from left), President of Orion Royal Inc., confers with (left to right) Simon Hollis and Timothy Sweet of Orion and Rocco Commisso and Rosaleen Burbage of The Royal Bank and Trust Company.



Our corporate bankers are also extensive users of microcomputers which have been introduced in all 17 World Corporate Banking service points around the world, being used for credit analysis as well as for the storage and rapid communication of information.

As the market for conventional lending changes, the importance of fee-based services increases. The development of many of these services is anchored within our Merchant Banking Group.

Merchant Banking

During the year, substantial progress was made towards our goal of achieving a truly global product management system which includes services usually described as "merchant banking". With the addition of Orion Royal Bank representative offices in Tokyo and Toronto, our merchant banking network now includes units in London, Hong Kong, New York, Toronto, Geneva, the Channel Islands and Tokyo.

London-based Orion Royal Bank is the hub of our merchant banking operations. It continues to be increasingly active in the Eurobond market. In 1984 it lead-managed and co-managed more than 200 issues with an aggregate value of US \$38.7 billion. This represents 51 per cent of the total market and a further gain on last year's strong performance.

Orion is also one of the leading issuing houses in the Euro-Canadian dollar bond market. During the first three quarters, the bank lead-managed or co-managed 19 issues worth \$1.2 billion representing 68 per cent of the total market.

Orion continues to dominate the Euro-Australian dollar bond market, where it lead-managed or co-lead-managed six issues representing 67 per cent of the market.

In the syndicated loan market, Orion lead-managed or managed 51 loans with an aggregate value of US \$14.6 billion during its fiscal year. In addition, Orion

was very active in lead-managing or managing Euronote issue facilities, placing considerable amounts of short-term paper with a wide variety of investors.

In September, the Royal Bank signed an agreement with the China International Trust and Investment Corporation (CITIC) to form a joint-venture merchant bank based in Hong Kong. The new bank, China Investment and Finance Ltd. (CIF), commenced operation in December with an initial equity of US\$4.1 million.

The partnership with CITIC, an enterprise directly under the leadership of the State Council of China, builds on a relationship with that country dating back 30 years. Our intention in entering this prestigious joint venture is to participate—through trade and project financing as well as in the provision of financial advisory services—in the significant business and trading opportunities developing between China and its trading partners. CIF will work closely with another unit of the Royal's merchant banking group, Orion Royal Pacific Limited, also based in Hong Kong.

Orion Royal Pacific enjoyed another strong year coordinating or lead-managing the ten largest syndicated credits launched during calendar 1984 in the Asian market — loans totalling \$4.1 billion.

Commercial banks are limited by the Bank Act in their merchant banking activities in Canada. However, the Royal Bank has continued to move forward on those fronts not subject to regulatory restriction. These include mergers and acquisitions, syndicated lending, venture capital financing and the provision of financial advisory services.

During the year, the Bank acted as lead manager for syndicated loans arranged in Canada for domestic and foreign borrowers exceeding \$2 billion.

One of the Bank's current financial advisory roles involves Atomic Energy of Canada Ltd. (AECL) in conjunction with the sale of a CANDU nuclear generating station to Turkey. The assignment calls for the Bank to assist AECL in obtaining official export credits from the various countries supplying equipment to the project.

The Royal was also appointed by the State Energy Commission of Western Australia (SECWA) as financial advisor to a project involving the construction of an aluminum smelter and power station. This was our second assignment with SECWA for whom we acted as financial advisor for the Dampier to Perth natural gas pipeline.

Our venture capital group has had a successful year's operations, expanding its Canadian base into the United States and into the United Kingdom. Investments made or committed by this unit approach \$10 million, well over half of which was invested in the development of infant businesses in Canada.

Mergers and acquisition activity both in Canada and in other markets accelerated during the year and this important business provides an increasing fee income stream.

Considerable interest has been shown by offshore investors in the growing number of investment instruments available through The Royal Bank of Canada (Channel Islands) Limited. The newest, introduced in October, is the RBC Canadian Fund which will be managed by our Guernsey-based investment subsidiary, RBC Investment Managers. It will be advised by Orion Royal Bank (Guernsey) who can call upon the knowledge and expertise of Orion Royal Bank in London and the Royal Bank group worldwide. They have a proven record in successful management of the Bank's International Currencies Fund and three US-dollar-denominated equity and bond funds.

In conclusion, the activities described in this Operational Review are evidence that our people are responding effectively to the challenges facing the Royal Bank.

In order to obtain a complete picture of the Bank's activities for 1984, the Operational Review should be read in conjunction with the Financial Review which follows.

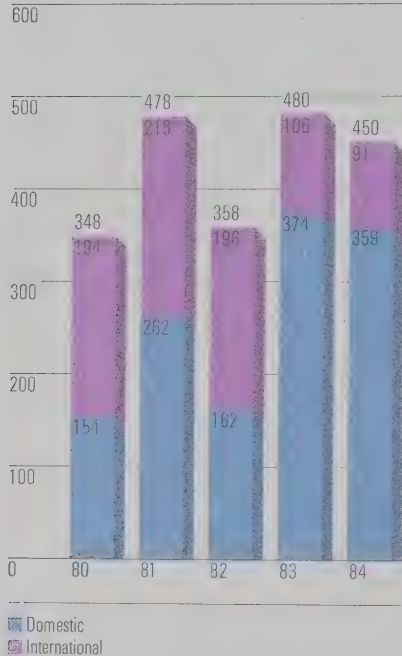
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MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

Chart 1

Net Income
(\$ Millions)



■ In this section of the Annual Report we provide detailed analysis of the Bank's financial performance and review key policies related to the management and control of credit, liquidity and interest rate risks.

For analytical purposes we divide our results on a geographic basis into two segments: Domestic and International Operations. Domestic Operations includes all business transacted in Canada, regardless of currency, with the exception of the Canadian-based activities of International Money Markets. The Bank's business carried on outside Canada as well as our International Money Market function, comprise International Operations.

In this segmentation of Domestic and International results, appropriate allocations have been made for corporate non-interest expenses and the cost of funds related to liquidity and capital.

Overview of 1984 Results

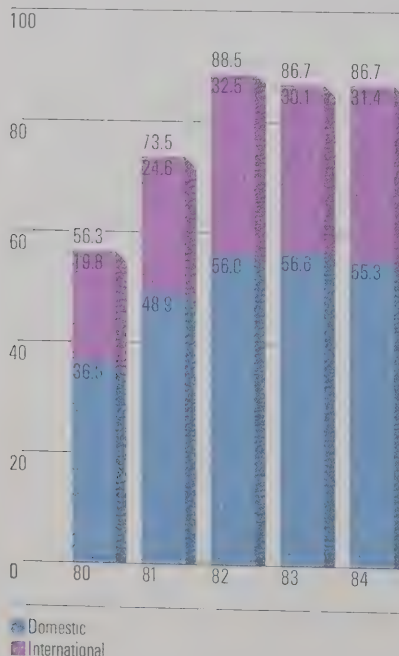
The Royal Bank earned \$450 million in 1984 compared with \$480 million in the previous year. Basic income per share was \$4.25, down from \$5.03 in 1983 but well ahead of the \$3.87 earned in 1982. Average common shares outstanding for 1984 were 90.8 million compared with 86.8 million in 1983. Earnings per share on a fully diluted basis, which takes into account common shares that would be issued on conversion of certain debentures and preferred shares, was \$3.87, down from \$4.58 in fiscal 1983 but higher than the \$3.68 earned in fiscal 1982.

Overall return on average total assets (ROA), a key indicator of profitability, was 0.52%. This is made up of Domestic Operation's ROA of 0.65% (0.66% in 1983) and International Operation's ROA of 0.29% (0.35% in 1983). Return on common shareholders' equity (ROE) was 13.8%, down from 16.8% for fiscal 1983. Over the past five years our ROE has averaged 16.2%.

While the earnings achieved in Domestic Operations were satisfactory, results from International Operations remained below acceptable levels.

Chart 2

Average Total Assets
(\$ Billions)



At October 31, 1984 the Bank's total assets were \$88.0 billion, an increase of \$3.3 billion or 3.9% over the previous year-end. This increase came from several sources. Good growth occurred in personal loans and mortgages in Canada. There was also a rise in the holdings of liquidity assets, mainly interbank redeposits. Finally, a strong U.S. dollar resulted in a higher translated Canadian-dollar value for the Bank's U.S. dollar-denominated assets. On the other hand, virtually no growth occurred in corporate borrowings, both in Canada and internationally, or in loans to foreign governments and agencies.

The Bank's capital funds were strengthened by a combination of the retention of current earnings, new capital issues totalling \$480 million and \$141 million derived from the issue of shares under the Shareholder Dividend and Share Purchase Plan. At October 31, 1984, the Bank's primary and adjusted total capital ratios, as defined by the regulators, were 28:1 and 20:1, respectively. Expressed in percentage terms, the primary and total capital ratios were 3.6% and 5.0%, up from 3.2% and 4.6% respectively at the preceding year-end. A more detailed discussion of the Bank's capital position will be found on page 45 of this report.

Domestic Operations

In Canada, the pace of recovery during 1984 was not as robust as had been anticipated at the year's outset. Moreover, it was uneven, with some regions and sectors recovering more than others. This brought to the fore the benefits of the Bank's broad diversification, both geographically and in terms of market segments. Improvements in the retail sector offset somewhat disappointing results in corporate lending and agriculture. Until recently, the large commercial and corporate, and the agriculture and independent business sectors had been relatively more profitable than the consumer sector.

There were a number of highly encouraging developments during the year. Firstly, the Royal Bank's aggressive marketing of innovative lending and deposit services, particularly in the consumer services area, was reflected in market share gains on both the lending and deposit sides. Secondly, growth in consumer deposits during the year favourably affected the domestic deposit mix and overall spreads. Approximately 80% of our total Canadian dollar deposit liabilities are now represented by this relatively stable deposit

Chart 3

Return on Assets
(% of Average Assets)

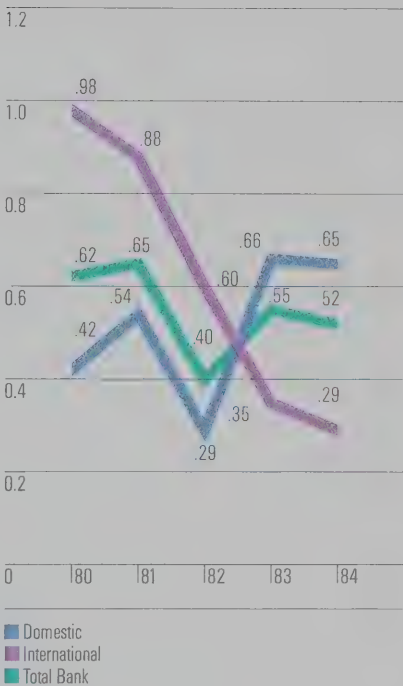


Table 1

Highlights of Domestic Earnings as a Per Cent of Average Assets	1984	1983
Net interest income (taxable equivalent basis)	3.49%	3.41%
Provision for loan losses	.59	.55
	2.90	2.86
Other income	.96	.86
	3.86	3.72
Non-interest expenses	2.58	2.44
	1.28	1.28
Income taxes (including taxable equivalent adjustment)	.63	.62
Return on assets	.65%	.66%
Average assets (\$ millions)	\$55,286	\$56,619
Net income (\$ millions)	\$359	\$374

source. Thirdly, the level of domestic non-performing loans, net of provisions for losses, declined for the first time in several years.

Domestic non-performing loans, net of provisions for losses, at October 31, 1984 were \$1.4 billion, approximately \$200 million below the previous year-end level.

The 1984 loan loss experience fell by 16% to \$380 million - a tangible indication that the worst of the loan problems may now be behind us. Due to the five-year averaging formula applied to loan loss experience, the charge to Domestic earnings, called the provision for loan losses, rose to \$327 million in 1984 from \$309 million in 1983. Non-performing loans and loan losses are discussed further on pages 35 to 37 of this report.

Growth in income from fee-based services resulted from a movement, general in the industry, towards "user-pay" pricing policies. As well, fee income grew because of further strengthening of the Bank's presence in traditional fee-generating lines of business, with higher volumes being the rule. In particular, Visa benefited from growth in transaction volumes and merchant discount fees, as consumer confidence and the volume of credit card spending increased during the year.

The results of the continuing cost control efforts of management and staff are clearly evident in the fact that despite increased transaction volumes and a product and service mix which is more complex than ever, the growth of Domestic non-interest expenses was held to 2.7%, less than the 1984 rate of inflation. A key factor in this was the Bank's continuing substantial investments in computer processing systems and facilities.

Overall, earnings from Domestic Operations were \$359 million, a decline of 4% from fiscal 1983. Average assets for the year were 2% lower than the year earlier while return on average assets of 0.65% was marginally lower.

International Operations

During 1984, stability and confidence in the international financial markets improved considerably. Economic activity increased and certain major developing countries were able to reschedule debt maturities and to effect improvement in their financial condition.

Notwithstanding these positive developments, international non-performing loans, contrary to expectations, continued to rise. In large measure this deterioration was attributable to delays experienced in connection with the rescheduling of debt in Argentina and the Dominican Republic. At October 31, 1984, approximately \$450 million of loans to public and private sector borrowers in these two countries were classified as non-performing. It should be noted that although temporary delays by governments in meeting external debt service obligations have not been uncommon, outright losses on loans to governments have historically been very rare.

In the United States, the oil and gas and the real estate sectors of the economy did not fully participate in the general recovery in that country. Certain Royal Bank customers in those industries continued to experience difficulties in meeting debt service obligations. Again, these situations had an adverse impact on International earnings in 1984.

During 1984, the level of International non-performing loans, net of provisions for losses, increased to \$1.3 billion. Of this amount, approximately 30% represents public sector borrowers (governments and agencies) with the balance being private sector borrowers, including those who, due to actions of local monetary authorities, were unable to obtain the necessary foreign exchange to service their debts.

International loan loss experience amounted to \$362 million, up 14% from \$318 million in 1983. The 1984 figure includes a significant general provision for the Bank's lending to countries which have experienced difficulties in meeting their external financial obligations. The resulting provision for loan losses charged to International's earnings was \$208 million, up 45% from 1983.

There was satisfactory growth in fee-based income in International Operations. Gains in foreign exchange trading income were more than enough to offset the impact of lower fee income resulting from a general decline in loan syndication activity.

Close control of non-interest expense, accomplished partly through an on-going

rationalization of the International organization, along with other productivity and cost control initiatives, limited cost increases to only 2% over 1983.

During the year the Bank concluded agreements to dispose of its branch network in Guyana and Bankhaus Bohl + Co., a retail banking operation in West Germany. The Guyanese operation, with assets of \$146 million, was sold effective November 1984, while Bankhaus Bohl + Co., with total assets of approximately \$100 million, was disposed of in March 1984. These transactions did not result in any significant gain or loss for the Bank.

In conclusion, as noted, non-performing loans are the major reason for the depressed level of income from International Operations. In 1984, International earnings of \$91 million were \$15 million below 1983. Return on assets of 0.29% was six basis points lower than in 1983 (0.35%) and 31 basis points below 1982 (0.60%).

Table 2

Highlights of International Earnings as a Per Cent of Average Assets	1984	1983
Net interest income (taxable equivalent basis)	1.73%	1.65%
Provision for loan losses	.66	.47
	1.07	1.18
Other income	.56	.59
	1.63	1.77
Non-interest expenses	1.20	1.19
	.43	.58
Income taxes (including taxable equivalent adjustment)	.14	.23
Return on assets	.29%	.35%
Average assets (\$ millions)	\$31,376	\$30,074
Net income (\$ millions)	\$91	\$106

Chart 4

Net Interest Income
(\$ Millions)



Chart 5

Net Interest Income
(\$ Millions)

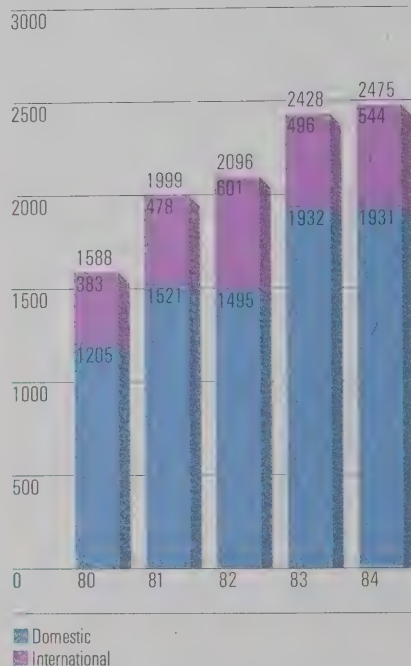
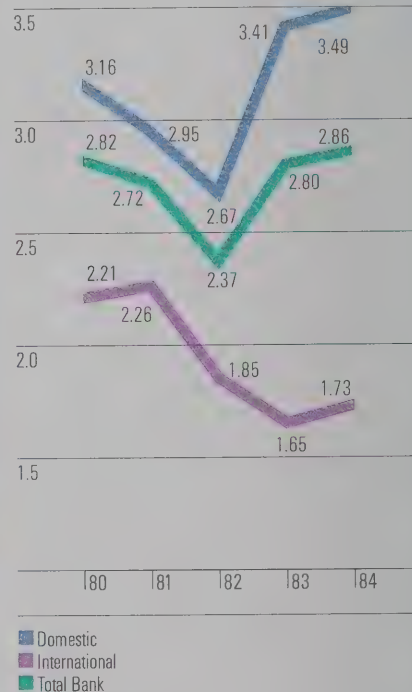


Chart 6

Net Interest Margin
(% of Average Assets)



Net Interest Income

Net interest income, the difference between the yield on loans and investments and the cost of deposits and debentures, is the principal source of revenue for banks. For analytical purposes, actual net interest income is adjusted to take into account the tax-exempt nature of income from certain "loan-equivalent" securities (see Income Taxes, page 40). Including this taxable equivalent adjustment, net interest income amounted to \$2,475 million in 1984, marginally higher than in 1983.

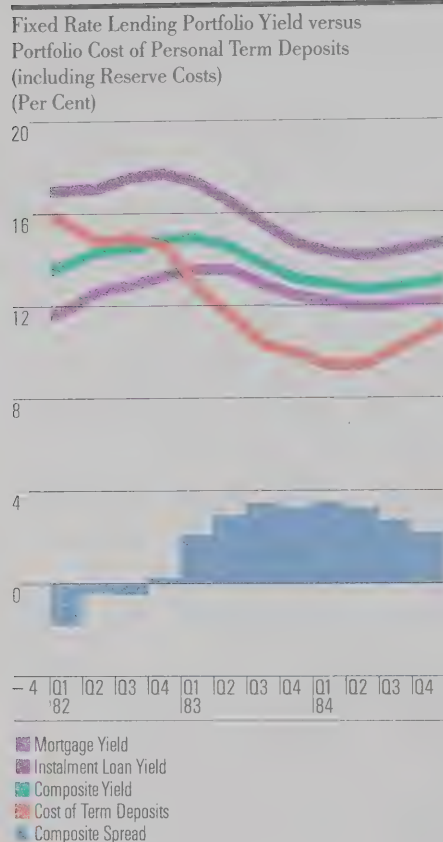
Net interest income is the product of: (1) the net interest margin or average spread between the yield on assets and the cost of liabilities, and (2) the amount of average earning assets in the portfolio. Further detail with respect to asset yields and deposit costs of our business and a rate/volume analysis of the changes in net interest income is shown in Tables 3 and 4.

In 1984, net interest income was positively affected by \$43 million of volume growth and \$4 million of spread gains. Net interest income was 2.86% of average total assets, six basis points higher than in 1983, as the yield on assets rose by 16 basis points while the average cost of funds increased somewhat less. The Domestic and International net interest margins are illustrated on Chart 6. Due to the inclusion of a large retail sector, Domestic Operations have a substantially higher margin than the predominantly wholesale International Operations. During the year, the Domestic margin rose by eight basis points to 3.49%, while the International margin also improved by eight basis points to 1.73%.

Table 3

Net Interest Income on Average Assets and Liabilities (\$ Millions)												
1984			1983			1982			1981			
	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Assets												
Earning Assets												
Deposits with other banks	\$13,182	\$1,267	9.61%	\$12,126	\$1,138	9.38%	\$13,765	\$ 1,860	13.51%	\$11,794	\$ 1,739	14.74%
Securities –												
Issued or guaranteed by Canada, provinces and municipal or school corporations	2,873	317	11.03	2,673	302	11.30	2,236	316	14.13	2,613	386	14.77
Other	4,402	622	14.13	4,551	587	12.90	4,590	805	17.54	4,008	677	16.89
	7,275	939	12.91	7,224	889	12.31	6,826	1,121	16.42	6,621	1,063	16.05
Loans –												
Mortgages	8,866	1,064	12.00	7,806	1,013	12.98	7,288	921	12.64	7,559	927	12.26
Instalment loans	4,860	720	14.81	4,396	701	15.95	4,636	812	17.52	4,252	655	15.40
Other loans in Canadian currency	22,437	2,663	11.87	24,190	2,781	11.50	25,223	4,225	16.75	20,877	3,945	18.90
Other loans in foreign currencies	22,637	2,586	11.42	22,642	2,585	11.42	22,330	3,478	15.58	16,072	2,708	16.85
	58,800	7,033	11.96	59,034	7,080	11.99	59,477	9,436	15.86	48,760	8,235	16.89
Total earning assets	79,257	9,239	11.66	78,384	9,107	11.62	80,068	12,417	15.51	67,175	11,037	16.43
Other Assets	7,405			8,309			8,464			6,313		
Total Assets	\$86,662	\$9,239	10.66%	\$86,693	\$9,107	10.50%	\$88,532	\$12,417	14.03%	\$73,488	\$11,037	15.02%
Liabilities												
Interest-Bearing												
Deposits –												
Demand deposits	\$ 5,661	\$ 138	2.44%	\$ 6,028	\$ 154	2.55%	\$ 5,973	\$ 253	4.24%	\$ 5,778	\$ 229	3.96%
Deposits by banks	19,804	1,977	9.98	19,605	1,984	10.12	21,306	2,976	13.97	16,348	2,518	15.40
Term deposits in Canadian currency	15,450	1,526	9.88	16,872	1,725	10.22	19,486	2,916	14.96	16,759	2,501	14.92
Other deposits in Canadian currency	16,502	1,113	6.74	15,479	1,025	6.62	13,421	1,555	11.59	11,896	1,541	12.95
Term deposits in foreign currencies	16,592	1,726	10.40	15,950	1,542	9.67	16,437	2,346	14.27	12,928	2,037	15.76
Other deposits in foreign currencies	2,407	125	5.19	2,304	83	3.60	1,920	105	5.47	2,889	126	4.36
	76,416	6,605	8.64	76,238	6,513	8.54	78,543	10,151	12.92	66,598	8,952	13.44
Liabilities of subsidiaries other than deposits	342	39	11.40	340	39	11.47	312	40	12.82	163	15	9.20
Bank debentures	1,115	120	10.76	1,121	127	11.33	1,054	129	12.24	657	72	10.96
Total interest-bearing	77,873	6,764	8.69	77,699	6,679	8.60	79,909	10,320	12.91	67,418	9,039	13.41
Other Liabilities	5,260			5,923			5,745			3,601		
Capital and Reserves	3,529			3,071			2,878			2,469		
Total Liabilities	\$86,662	\$6,764	7.80%	\$86,693	\$6,679	7.70%	\$88,532	\$10,320	11.66%	\$73,488	\$ 9,039	12.30%
Total Assets/Net Interest Income	\$86,662	\$2,475	2.86%	\$86,693	\$2,428	2.80%	\$88,532	\$ 2,097	2.37%	\$73,488	\$ 1,998	2.72%

Chart 7



Domestically, net non-performing loans remained high at \$1.4 billion but did decline some \$200 million from 1983 levels. Additionally, as seen in Chart 7, profitability of fixed-rate lending business remained strong in 1984. Domestic average deposits, as shown in Chart 8, fell to \$44.2 billion. Growth was evident, however, in the consumer sector although considerable competition for these core deposits increased their relative cost.

Internationally, the low net interest margin is, as previously mentioned, largely the result of high non-performing loan balances in the Latin America and Caribbean Area and in the U.S.A. These higher balances combined with a somewhat higher cost of funds resulted in increased carrying costs for non-performing loans.

A higher proportion of low-margined, low-risk interbank deposits also had the effect of reducing overall International net interest margins. Due to general contraction of margins in the international marketplace, opportunities for profitable loan growth were limited.

For the total Bank, the net interest yield (total interest received on existing accounts less interest reversed on newly classified accounts) was approximately 2% on the \$2.7 billion of average net non-performing loans.

Securities gains on the Bank's investment portfolio had a positive effect on net interest

income, although less so than in 1983. Gains or losses on disposal of equity securities are recorded in the period in which they occur, while bond disposal gains or losses are amortized and added or charged to income over a five year period. In 1984, equity gains of \$31 million were partially offset by the amortization of prior years' bond losses of \$17 million, for a net gain of \$14 million. This compares with a net gain of \$27 million in 1983.

Chart 8

Composition of Average Domestic Deposits (\$ Billions)

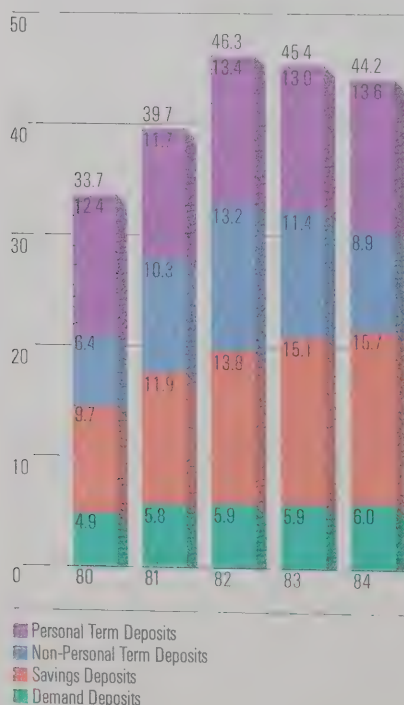


Table 4

Analysis of Changes in Net Interest Income (\$ Millions)

	1984 vs 1983			1983 vs 1982		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average Volume*	Average Rate*	Net Change	Average Volume*	Average Rate*	Net Change
Assets						
Deposits with other banks	\$101	\$ 28	\$129	\$ (203)	\$ (519)	\$ (722)
Securities	7	43	50	62	(294)	(232)
Mortgages	131	(80)	51	67	25	92
Other loans	(153)	55	(98)	(152)	(2,296)	(2,448)
Total interest income	86	46	132	(226)	(3,084)	(3,310)
Liabilities						
Demand deposits	(9)	(7)	(16)	2	(101)	(99)
Deposits by banks	20	(27)	(7)	(222)	(770)	(992)
Other deposits	32	83	115	(89)	(2,458)	(2,547)
Debentures and other liabilities	—	(7)	(7)	12	(15)	(3)
Total interest expense	43	42	85	(297)	(3,344)	(3,641)
Net interest income	\$ 43	\$ 4	\$ 47	\$ 71	\$ 260	\$ 331

*Rate/Volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

Non-Performing Loans and Loan Losses

Non-Performing Loans

Non-performing loans have been cited elsewhere in this Report as the major cause of depressed profitability. In fact, the unprecedented number of borrowers who have been unable to pay interest on outstanding loans has been the single most important factor affecting the industry since the end of 1981.

In general, non-performing loans are those loans which have been placed on a nonaccrual basis because management feels that the collectibility of principal or interest is in doubt. More specifically, where payment of interest is ninety days past due, loans are automatically placed on a nonaccrual basis except in certain instances where management has determined that the collectibility of principal and interest is not reasonably in doubt.

For purposes of calculating income, when a loan is classified to a nonaccrual basis, any previously-accrued but unpaid interest on it is reversed; that is, deducted from income. Subsequently, interest received on nonaccrual loans is recorded as income only if management has determined that the loan does not require a specific provision for loss; otherwise, interest payments received are credited to the principal amount of the loan.

During 1984 the level of total non-performing loans, net of provisions for losses, declined only slightly from \$2.8 billion at the beginning of the year to \$2.7 billion at year end. As shown in Table 5, there was some overall improvement in Domestic Operations while International non-performing loans increased slightly in 1984.

In Domestic Operations, net non-performing loans declined \$225 million, or 14% from 1983. As in past years, the majority of Domestic non-performing loans continued to be concentrated in Alberta and British Columbia and largely related to accounts in the oil service, real estate and forestry industries. Significant reductions in net non-performing loans have been achieved in the Personal Lending and the Large commercial and corporate sectors.

Net non-performing loans in International Operations, at \$1.3 billion, were little changed in 1984, having increased by \$70 million or 6% from 1983. The principal component of International's non-performing loan portfolio remained the Latin America and Caribbean area where balances increased during the year by \$346 million. Offsetting this were reductions in non-performing loans in the U.S.A. and in Europe, Middle East and Africa.

Table 5

Non-Performing Loans (net of provisions for losses)					
As at October 31					
(\$ Millions)	1984	1983	1982	1981	1980
Domestic					
Atlantic Provinces	\$ 9	\$ 13	\$ 30	\$ 9	\$ 7
Quebec	90	87	53	26	21
Ontario	126	145	155	61	48
Manitoba and Saskatchewan	93	79	68	28	22
Alberta	567	681	577	42	33
British Columbia	522	627	369	50	40
	1,407	1,632	1,252	216	171
Of which:					
Consumer instalment loans, mortgages and other personal loans	77	133	174	48	38
Agriculture and independent business	279	255	231	99	73
Large commercial and corporate	1,051	1,244	847	69	60
	1,407	1,632	1,252	216	171
International					
Asia Pacific	40	40	5	—	—
Europe, Middle East and Africa	127	216	140	—	—
Latin America and Caribbean	832	486	460	12	33
U.S.A.	277	464	183	—	—
	1,276	1,206	788	12	33
Total	\$2,683	\$2,838	\$2,040	\$ 228	\$ 204

As indicated in the section on Net Interest Income, in 1984 non-performing loans generated a net interest yield to the Bank of approximately 2%. We are uncertain as to when or what portion of the uncollected interest and prior years' interest arrears will be collected. The most significant, difficult and time-consuming loans in the non-performing category are currently being administered by our Special Loans Group and Sovereign Loans Group. These teams of senior officers have been given the mandate and the resources to work towards resolution of many of these problem situations. In addition, our Domestic and International field offices have specialized groups concentrating on working out problem loans.

During the year the international financial community was able to deal effectively with a number of rescheduling situations. In addition, improving global economic conditions, led by the expanding U.S. economy, enabled debtor countries in Latin America to increase exports and this has given rise to current account surpluses in many countries. The position of certain major international debtors is much better today than was the case a year ago.

Despite this general improvement, it must be recognized that the debt situation for several borrowers in Latin America and elsewhere remains delicate. The close cooperation of governments, multi-lateral agencies and commercial banks will continue to be required in order to bring about further orderly improvement.

The recent trend towards lower interest rates, if sustained, will also contribute positively to the successful resolution of international and domestic troubled loan situations. We expect improvement in the areas of non-performing loans and loan loss experience in the near term.

Loan Losses

The problem of loan quality and related losses has been prominent in media reports for the past few years. The recent financial problems of certain large U.S. banks as well as the ongoing difficulties in certain Latin American countries have brought the topic even more to the forefront.

For the Royal Bank, while non-performing loans remain high (see page 35), we believe that the loan loss experience - the actual losses incurred - has peaked and that we will see a significant reduction in the periods ahead.

In fact, over the past three years the Bank has recorded loan loss experience of approxi-

mately \$2.2 billion—an indication of the extent to which reserves have already been taken on problem loans.

Loan loss experience represents the Bank's best estimate of the additional specific and general provisions required to cover losses on the loan portfolio. Specific provisions are established on a loan-by-loan basis to recognize anticipated losses on identified problem loans; general provisions are made in respect of the Bank's aggregate exposure to countries which have experienced difficulty in meeting their external financial obligations. Accumulated specific and general provisions are deducted from the related loan balances on the balance sheet.

Expressed arithmetically, loan loss experience for a given year is equal to the sum of that year's loan write-offs, net of recoveries, and the year-to-year change in the accumulated specific and general provisions for losses. The portion of the loan loss experience charged to the income statement (called the provision for loan losses), is based on a prescribed formula which has the effect of averaging the loan loss experience over a five-year period. Any difference between the loan loss experience and the provision for loan losses is charged or credited directly to capital.

In 1984 our loan loss experience totalled \$742 million, down from \$772 million in 1983, marking the first decline in loan loss experience since 1979. As shown in Table 6, the reduction in loan loss experience was attributable entirely to Domestic Operations as International losses continued to increase due to the recording of a general provision for country lending.

The decline in Domestic loss experience from \$454 million in 1983 to \$380 million in 1984 came about in all borrowing sectors. However, losses in the Large Commercial and Corporate sector continue to be abnormally high, particularly in western Canada where borrowers were most affected by the recent severe recession. In the Personal Lending and the Agriculture and Independent Business sectors, loss experience declined significantly in 1984 by \$44 million and \$20 million, respectively.

International loan loss experience, at \$362 million, was \$44 million higher than in 1983. Major new specific provisions were established for a number of problem accounts in the real estate and oil service industries in the United States and a substantial general provision was established for the Bank's lending to troubled countries, particularly in the Latin America and Caribbean Area.

The Bank's approach to making provisions for possible losses on amounts owed by sovereign borrowers has been modified somewhat in 1984. In prior years it was the Bank's practice to make specific provisions on a country-by-country basis depending upon an assessment of each country's ability to repay its loans. Given the highly uncertain conditions which continue to affect the international debt situation, it was decided this year to establish a general provision in respect of the Bank's aggregate exposure to all countries which have experienced difficulty in dealing with their external financial obligations. This general provision is in addition to any specific provisions made for private sector borrowers in these countries. The general provision has been included in the 1984 loan loss experience of \$742 million and is a major factor causing the level of loan losses to remain high.

It is our intention to continue to establish general provisions in the periods ahead. We believe that our posture on this issue is not dissimilar to that of international banks in other jurisdictions and is consistent with the views of the regulatory authorities.

The provision for loan losses, the charge to income, amounted to \$535 million in 1984, up 18% from \$452 million in 1983. As a result of the five-year averaging formula, the provision for loan losses continued to rise even though the actual loan loss experience began to decline. In Domestic Operations, the provision for loan losses increased by \$18 million to \$327 million solely as a result of the averaging formula. The provision for loan losses in International Operations increased by \$65 million to \$208 million in part due to the averaging formula, and in part due to the higher loan loss experience in the year.

Table 6

Detail of Loan Losses (\$ Millions)	1984	1983	1982	1981	1980
Loan Loss Experience					
Domestic					
Consumer instalment, Visa, mortgages and other personal loans	\$ 48	\$ 92	\$ 77	\$ 43	\$ 34
Agriculture and independent business	84	104	84	37	29
Large commercial and corporate	248	258	369	64	28
	380	454	530	144	91
International					
Asia Pacific	22	14	—	3	2
Europe, Middle East and Africa	48	85	57	31	19
Latin America and Caribbean	123	45	18	27	28
U.S.A.	169	174	75	14	7
	362	318	150	75	56
Total	\$742	\$772	\$680	\$219	\$147
Eligible Loans					
Domestic	\$45,476	\$44,726	\$47,178	\$41,632	\$29,568
International	21,281	20,529	20,904	19,222	12,706
Total	\$66,757	\$65,255	\$68,082	\$60,854	\$42,274
Loss Experience as a Per Cent of					
Eligible Loans					
Domestic	.84%	1.01%	1.12%	.35%	.31%
International	1.70	1.55	.72	.39	.44
Total	1.11%	1.18%	1.00%	.36%	.35%
Provision for Loan Losses (five-year average)					
Domestic	\$327	\$309	\$258	\$135	\$ 90
International	208	143	86	51	34
Total	\$535	\$452	\$344	\$186	\$124

Other Income

Other income consists of all sources of income other than interest and dividend income, and includes fees for all financial services offered including Visa fees, foreign exchange revenue, and securities commissions. Historically, other income has been a strength for the Bank and is a vital component in improving earnings in a period of limited asset growth. Other income totalled \$709 million, 6% higher than in 1983. Table 7 shows the major components of other income in each of the past two years.

Service charges, at \$212 million, rose 15% from 1983 primarily due to increased transaction volumes but also due to price increases on certain services.

Visa fees rose 17% to \$98 million during 1984, again primarily the result of greater transaction volumes resulting from a rise in consumer spending. In addition to the merchant fee, which accounts for the bulk of the revenue, our cardholder, or user fee, was in place for the full year 1984 (compared with only 5 months in 1983) and also contributed to the higher revenue levels.

Loan and commitment fees declined 3% to \$105 million during 1984, largely due to a reduction in loan management fees, as commercial and sovereign lending business remained slack. Fees from major reschedulings, in both the private and the public sector, are deferred and amortized over the term of the

loan, and therefore had no appreciable effect on income in 1984.

Securities commissions totalled \$38 million, down 14% during the year. Limited underwriting opportunities, difficult investment markets as well as heightened competition, adversely affected revenues from this source.

Foreign exchange revenue rose 9% to \$101 million in 1984 and continued to be a significant component of income for the Royal Bank.

Fees on bankers' acceptances, letters of credit and guarantees totalled \$69 million, down 4% from 1983 due largely to a lower rate structure brought about by market pressures.

Table 7

Other Income (\$ Millions)	1984	1983	Per Cent Change
Service charges	\$212	\$185	14.6
Visa fees	98	84	16.7
Loan and commitment fees	105	108	(2.8)
Securities commissions	38	44	(13.6)
Foreign exchange revenue	101	93	8.6
Bankers' acceptances, letters of credit and guarantee fees	69	72	(4.2)
Sundry	86	81	6.2
Total	\$709	\$667	6.3

Non-Interest Expenses

In the last two years, cost management has been a priority at the Royal Bank. The objective was to bring about major changes in spending practices and a substantial reduction in the overall rate of growth of overhead costs. This has been achieved. In 1984, overall non-interest expenses grew at an annual rate of just over 3%. Table 8 shows the major components of non-interest expenses in each of the past two years.

Charts 9 and 10 show non-interest expenses as a percentage of average assets and as a percentage of net revenue (the sum of spread and other income). While as a percentage of assets this measure has been climbing due to a flat average asset base, there has been improvement in the ratio of expenses to net revenue compared with two years ago. This latter measure is particularly relevant, given the Bank's emphasis on generating income from non-asset-based activities.

Staff costs, which constitute more than 60% of non-interest expenses, grew at a very low rate of 2.9%. The number of staff fell during the year by 509 to 38,189 people. Employees in Canada fell by 76 people from a year ago to 32,228 while employees based outside Canada totalled 5,961, down 433. These reductions were accomplished primarily through attrition as well as redeployment of existing staff.

While much progress in this area has been made, evaluation of organizations and staffing within the Bank continues with the aim of further improving productivity.

Premises and Equipment expenses rose 8% in 1984 to \$294 million. Depreciation and amortization expense increased by 16% to \$85 million, primarily due to higher depreciation on owned computer equipment. Other computer-related costs, consisting principally of rent and maintenance, also increased, by 10% to \$55 million in 1984. This level of equipment expenditure reflects the Royal Bank's commitment to staying at the leading edge of technology in the financial services industry. The Bank intends to continue to invest significantly in computer processing capabilities in order to further enhance customer service and as a means of improving productivity.

Other expenses, comprising a wide range of miscellaneous business costs, rose only 1.5% to \$404 million this year. Growth has been contained in virtually every category and, in fact, actual reductions have been achieved in some.

The success achieved to date in controlling operating costs is in large measure due to the commitment and initiative of our employees throughout the organization. Management and staff alike continue to devote strong efforts to cost containment.

Table 8

Non-Interest Expenses (\$ Millions)	1984	1983	Per Cent Change
Salaries, pensions and other staff benefits	\$1,106	\$1,075	2.9%
Premises and equipment			
Building rent	95	90	5.6
Depreciation and amortization	85	73	16.4
Computer rental and maintenance	55	50	10.0
Other	59	60	(1.7)
	294	273	7.7
Other			
Stationery and printing	51	49	4.1
Telephone and telegraph	50	49	2.0
Business and other taxes	51	48	6.3
Postage and courier	43	45	(4.4)
Other	209	207	1.0
	404	398	1.5
Total	\$1,804	\$1,746	3.3%

Chart 9

Non-Interest Expenses
(% of Average Assets)

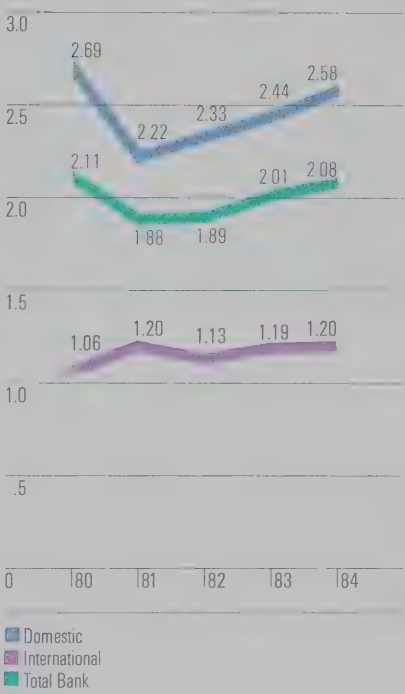
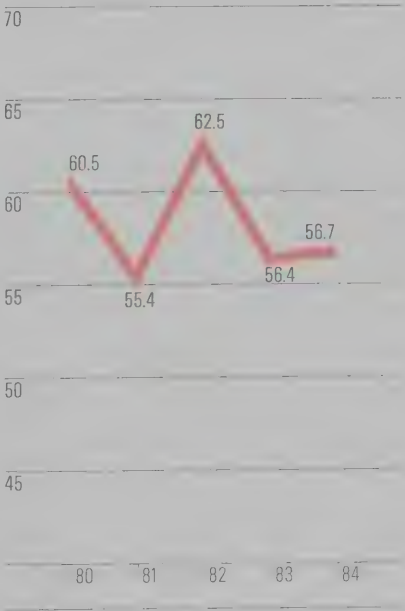


Chart 10

Non-Interest Expenses
(% of Net Interest and
Other Income)



Income Taxes

In 1984, the Bank reported a provision for income taxes of \$173 million, a decrease of \$18 million from the \$191 million in 1983.

The Bank, like other corporations in Canada, is subject to a combined federal and provincial income tax rate which approximates 50%. However, the low effective tax rate of 27.7% reflected on the 1984 Statement of Income may create an erroneous impression that the Bank is subject to a lower tax burden than other business enterprises. In fact, the Royal Bank and other Canadian banks are subject to income taxes at normal statutory rates.

There are two principal reasons for the Bank's relatively low effective tax rate. First, the Bank earns a substantial amount of tax-exempt income on its \$2.8 billion portfolio of "loan equivalents" consisting of small business bonds, income debentures and term preferred shares. When, as an example, the Bank takes on an obligation such as a small business bond, it accepts a lower yield on that obligation which allows the issuer to raise funds at a lower interest rate. Although the Bank's financial statements reflect a lower

amount of income taxes, the reduced level of tax expense is offset by an equivalent reduction in interest income.

In effect, the tax saving is passed on in the form of reduced interest costs to the borrower. For analytical purposes, a taxable equivalent adjustment, as discussed in the net interest income analysis section of this report, is made to compensate for this differential. If the reported tax expense were adjusted to reflect this, the provision for income taxes shown in the Statement of Income would increase by \$221 million in 1984 and by \$225 million in 1983, and would appear as \$394 million for 1984, and \$416 million for 1983.

Lower effective tax rates also reflect the fact that certain foreign subsidiaries, whose operations are consolidated by the Bank, incur income taxes in their countries of operation at lower rates than the tax rate of 50% applicable to the Bank itself.

A reconciliation of the combined federal and provincial statutory income tax rates to the effective income tax rates for 1984 and 1983 is provided in Note 2 to the Financial Statements on page 60.

Portfolio Risk Management

A bank's success and stability depends almost entirely on its credit policies, a key component of which is the degree of diversification of its portfolio of loans. A bank must first and foremost be able to determine the soundness of each one of the lending proposals made to it. It then has to ensure that the loans it makes are sufficiently varied by industry and geography so as to spread the risk and avoid the potential of seriously impairing overall earnings because of problems in any single industry or area. It is the Royal Bank's policy to limit loan authorizations to any independent corporate borrower to 15% and, in some very rare cases, to not more than 25% of our shareholders' equity. Country and industry limits are also established taking into account economic, political and social considerations and strategic positioning objectives. These

limits are monitored closely and reviewed frequently. The accompanying tables illustrate the degree of diversification of the Bank's asset base.

Table 9 provides a breakdown of the Bank's earning assets and details the geographic diversification of our loan portfolio as well as categorizing our domestic loans by industry or type of loan. As Canada's largest bank, our earning assets are widely distributed and we are a major participant in each Canadian geographic and industry market sector.

As a consequence of the broad global commercial activities of the Bank's clients in Canada and abroad, we conduct extensive financing activities outside Canada. The extension of credit to borrowers resident in foreign countries is frequently essential to facilitate sales of Canadian goods and services abroad.

Table 9

Breakdown of Earning Assets*

As at September 30
(\$ Millions)

	1984	Per Cent	1983	Per Cent
Loans				
Domestic				
Atlantic Provinces	\$ 2,562	6.1%	\$ 2,394	6.0%
Quebec	5,203	12.5	4,540	11.5
Ontario	13,070	31.3	11,968	30.3
Manitoba and Saskatchewan	4,862	11.6	4,327	11.0
Alberta	8,633	20.7	8,784	22.2
British Columbia	7,411	17.8	7,521	19.0
	41,741	100.0	39,534	100.0
Of which:				
Mortgages	8,990	21.5	8,004	20.2
Loans to individuals	8,343	20.0	7,682	19.4
Agricultural	2,240	5.4	2,262	5.7
Financial institutions	2,866	6.9	2,446	6.2
Merchandisers	2,857	6.8	2,553	6.5
Manufacturing	3,704	8.9	4,108	10.4
Construction	1,959	4.7	2,359	6.0
Mining and energy	4,023	9.6	3,964	10.0
Other	6,759	16.2	6,156	15.6
	41,741	100.0	39,534	100.0
International				
Canadian Risk	659	3.7	739	4.1
Asia Pacific	2,169	12.0	1,911	10.7
Europe, Middle East and Africa	5,227	28.9	5,927	33.3
Latin America and Caribbean	5,907	32.7	5,372	30.1
U.S.A.	4,102	22.7	3,874	21.8
	18,064	100.0	17,823	100.0
Total Loans	59,805	74.0	57,357	75.2
Securities	6,867	8.5	7,092	9.3
Deposits with Other Banks	14,126	17.5	11,851	15.5
Total Earning Assets	\$80,798	100.0%	\$76,300	100.0%

* Earning assets are defined as all assets except Cash and deposits with Bank of Canada, Acceptances, Land, buildings and equipment and Other assets.

An equally important consideration is that participation in the financial services industry on an international scale enhances the Bank's stability and earnings potential.

The extension of credit in foreign countries entails, in addition to normal credit risks, risks associated with adverse political or economic developments in those countries. As stated, the Bank monitors international lending closely and limits concentrations of credit by risk class—for example, on a country-by-country basis as well as according to economic classifications of country groups.

Table 10 illustrates the distribution of our international assets according to the development classification of the borrowers' country of ultimate risk. The greatest proportion globally (86%) represents advances to borrowers in industrialized countries. The low income and lower middle income developing countries account for \$853 million or 1.1% of earning assets.

Further evidence of the extent of international risk diversification is provided in Table 11 which shows earning assets by individual countries where the balances outstanding, including loans funded in local currencies, exceed 1/2 of 1% of total earning assets. The United States and the United Kingdom are the only foreign countries accounting for 5% or more of total earning assets.

The financial difficulties of certain major

borrower countries have been extensively reported. In 1984 considerable progress was made towards resolution of the international debt situation as a number of rescheduling agreements were concluded and as the underlying financial condition of certain borrowers improved.

While it would be premature to say that the general problem of developing-country debt has been resolved, it is important—and realistic—to note that the mechanisms for its eventual resolution are well on the way to being in place. The pattern of close cooperation between borrowers, governments, international official agencies, and commercial banks is now firmly established. As well, the majority of sovereign nations involved in the rescheduling exercise are in the process of implementing internal adjustment processes developed in consultation with, and agreed by, the International Monetary Fund.

The international commercial banks play a major role in the financing of these programs via such avenues as the provision of new funds; rescheduling of maturities to ease the burden; maintenance of trade finance lines and, in certain cases, rescheduling of private sector debt. The recent decline in U.S. dollar interest rates has also contributed positively, and eased the debt-service burden of many countries as well as improving their foreign-exchange positions.

Table 10

Distribution of Earning Assets*
by Country Classification

As at September 30

(\$ Millions)

	1984	Per Cent	1983	Per Cent
Industrialized countries	\$69,339	85.8%	\$65,196	85.1%
Centrally-planned countries	627	.8	701	.9
Oil-exporting countries	1,515	1.9	1,320	1.7
Developing countries:				
High income	1,559	1.9	1,515	1.9
Upper middle income	3,659	4.5	3,378	4.4
Intermediate middle income	3,246	4.0	3,168	4.1
Lower middle income	612	.8	816	1.0
Low income	241	.3	206	.3
Total	\$80,798	100.0%	\$76,300	100.0%

* Earning assets are defined as all assets except Cash and deposits with Bank of Canada, Acceptances, Land, buildings and equipment and Other assets. The distribution is based on International Bank for Reconstruction and Development classification of per capita income.

Interest Rate Sensitivity and Liquidity Management

Interest Rate Sensitivity

Interest rate sensitivity is defined as the rapidity with which average yields on earning assets and average rates paid on interest-bearing liabilities respond to changes in prevailing rates of interest. Interest-rate risk is introduced when assets and the liabilities used to fund them do not respond to interest rate changes concurrently. A key determinant of interest-rate sensitivity is the repricing date - that is, the timing of the next opportunity to adjust the nominal interest rate to new market levels. Mismatches in repricing dates of assets and liabilities are frequently referred to as "interest-rate gaps." A "positive" interest-rate gap exists when assets are more interest-rate sensitive than liabilities; a "negative" interest-rate gap indicates the reverse.

When prevailing rates of interest are falling, and liabilities are more interest-rate sensitive

than assets (a negative gap position) - for example, when a mortgage portfolio is funded by short-term deposits - the net interest-rate differential (spread) will be enhanced for a period of time. This effect will continue until the mortgage repricing date is reached or interest rates on funding deposits reverse course. When prevailing rates of interest increase, and a negative gap position exists, the opposite occurs: the net interest-rate differential is compressed - spread is squeezed.

If the situation is one in which assets, such as prime-rate loans, are more interest-rate sensitive than liabilities (a positive gap position), the result is the reverse of the situation described above, that is, reductions in interest rates compress spread, while rising interest rates increase spread.

In all cases the extent to which spread is affected will depend upon the degree and rapidity of change in interest rate levels, the size of the cumulative gap positions and the terms at which the gap positions exist.

Table 11
Distribution of Earning Assets*
by Location of Ultimate Risk
As at September 30
(\$ Millions)

	1984	Per Cent	1983	Per Cent
Canada	\$49,906	61.8%	\$47,828	62.7%
United States	7,861	9.7	6,626	8.7
Europe, Middle East and Africa				
United Kingdom	3,992	4.9	3,912	5.1
France	1,377	1.7	1,514	2.0
West Germany	971	1.2	1,422	1.9
Belgium	688	.9	737	1.0
Italy	402	.5	512	.7
Sweden	362	.4	415	.5
Other	4,335	5.4	3,650	4.8
	12,127	15.0	12,162	16.0
Latin America and Caribbean				
Mexico	1,460	1.8	1,328	1.7
Brazil	1,283	1.6	1,075	1.4
Venezuela	760	.9	710	.9
Bahamas	561	.7	517	.7
Argentina	393	.5	395	.5
Dominican Republic	355	.4	540	.7
Other	1,668	2.1	1,874	2.5
	6,480	8.0	6,439	8.4
Asia Pacific				
Japan	1,821	2.3	955	1.2
Hong Kong	503	.6	463	.6
South Korea	485	.6	371	.5
Other	1,615	2.0	1,456	1.9
	4,424	5.5	3,245	4.2
Total	\$80,798	100.0%	\$76,300	100.0%

* Earning assets are defined as all assets (including assets funded in local currencies) except Cash and deposits with Bank of Canada, Acceptances, Land, buildings and equipment and Other assets. Individual countries are indicated where assets exceed 1/2 of 1% of earning assets.

Unfavourable interest rate movements, in a situation where cumulative gap positions exist only at shorter-terms, will have a less adverse impact on spread than if the cumulative positions existed at longer maturities.

Management of repricing schedules of loans and deposits is a highly important determinant of bank profitability. To the extent that the repricing profiles of loans and deposits are matched, the exposure of net interest income to interest-rate risk is reduced. A fully-matched position, while eliminating interest-rate risk, also limits profit potential. Opportunities for enhanced returns arising from mismatched positions and favourable interest rate movements are constantly weighed against the costs that could arise from unfavourable interest rate changes. Interest-rate sensitivity positions are created, tolerated, or changed by management to enhance profitability, to respect liquidity policy guidelines governing expected net cash outflows or, at times, to meet fixed-rate lending competition.

In the Royal Bank, the interest-rate sensitivity of asset and liability portfolios is monitored continually by the Treasury and Money Markets Division. The management of international interest-rate sensitivity and liquidity positions world-wide, in currencies other than Canadian, is a specific responsibility of International Money Markets. International Treasury activities are conducted through units based in major financial centres around the world, coordinated and controlled from Head Office.

In International Operations, the Bank closely manages the projected net cash flows to control the adequacy of liquidity in all major market areas. Liquidity considerations at the margin take priority over interest-rate exposure factors and sometimes, as a result, forced gap positions of modest size do result. However, interest-rate gaps caused by liquidity considerations in the Bank's foreign currency business typically are not significant.

Liquidity Management

The main focus of Liquidity Management is to ensure the continuing ability to meet deposit withdrawals and borrowing maturities, and to satisfy customer requirements for credit services on a world-wide basis and in a timely manner.

Liquidity is maintained through close coordination of asset and liability management techniques in Canada and in all major overseas markets. Major elements of the Bank's overall liquidity management capabilities are: a highly diversified deposit base in Canadian funds and in major foreign currencies; closely managed maturity structures of loans and deposits; policy limits which govern the maximum net outflow of funds which would occur in the near future; access to liquid asset resources and committed credit lines.

In Canada, the Bank currently maintains \$1.3 billion of primary reserves including cash and deposits with the Bank of Canada, and an additional \$1.3 billion of secondary reserves invested in short-term Government of Canada securities as required by law. In addition to these statutory liquidity reserves, the Bank, under established internal policies, maintains supplementary reserves in the form of very liquid assets which amounted to \$1.1 billion at October 31, 1984. The Bank also has access to the Bank of Canada, which functions as lender of last resort to the Canadian banking system.

Internationally, the cornerstones of liquidity management are: diversification of world-wide funding sources; close control of term-to-maturity profiles of loan and deposit liability portfolios; policy limits governing net cash outflow and supplementary reserves of very liquid foreign assets. As a major participant in the Euro-dollar markets, the Bank also has access to deposits from other large international banks.

In 1984, relatively stable interest rate levels, combined with generally weak credit demand globally, contributed to somewhat

greater stability in international capital markets. However, the widely publicized debt service difficulties of a number of countries and the problems faced by several U.S. banks carries the potential for future shocks and short-term disruption of these markets.

The Bank continues to follow extremely prudent liquidity management policies. Domestically, this is reflected in above average levels of supplementary liquidity reserves. At October 31, 1984, interbank redeposits of \$12.7 billion were 31.3% of foreign currency assets - a conservative level in the light of uncertainty in international financial markets.

Capital Funds Management

Capital Funds include common and preferred shareholders' equity, appropriations for contingencies and subordinated debentures. In its broadest sense, the role of capital is to maintain the full confidence of depositors, creditors and shareholders in the integrity and stability of the Bank. This is because an adequate capital base ensures the Bank's capacity to absorb any unusually severe setback which might otherwise impair the bank's ability to continue operating as a going concern. Capital also provides the funds needed to acquire the physical assets - branch facilities, computers - necessary to conduct the business of banking. Finally, growth in capital funds is a prerequisite to continuing expansion of credit and other banking services.

A primary objective of management is to provide the common shareholders with an acceptable return on their investment. Supplementing the common shareholders' investment with long-term debt and preferred shares is an effective means of helping to achieve this goal. Capital funds management involves balancing the long-term safety and growth needs of the Bank with the return-on-investment expectations of shareholders.

Total capital funds rose by 15% and amounted to \$5.1 billion by year-end. During the year the Bank issued two series of perpetual floating rate preferred shares, one of Cdn. \$100 million and the other for U.S. \$100 million. Additionally, in October the Bank raised \$250 million of floating rate 99-year debentures. Lastly, \$141 million in common equity was raised through the Shareholder Dividend and Share Purchase Plan.

Table 12 presents the changes in Capital Balances for the past several years and shows clearly that there has been significant improvement in the level of internally-generated capital. The reduction in capital caused by the excess of loan loss experience over the provision for loan losses was much less than in the prior year. While total dividends were higher, largely due to the new preferred shares and a greater number of common shares outstanding, the year's internally-generated capital, at \$75 million, was well above last year's comparable amount. We expect this important measure to continue to show strong growth in the periods ahead. This improvement will come about due to (i) an expected decline in the amount by which loan loss experience exceeds the provision for loan losses charged to income and (ii) growth in earnings.

Table 13 presents the calculation of the Bank's primary and total capital ratios utilizing guidelines developed by the Office of the Inspector General of Banks. Primary capital includes those elements of capital funds which are permanent, subordinate to other creditors and where, if necessary, the related servicing costs may be constrained or eliminated. Secondary capital includes those instruments such as debentures and redeemable preferred shares which although subordinate to the rights of depositors, do not have all of the required properties of primary capital. As is evident in the Table, the Bank's capital position has continued to improve significantly in 1984. The primary capital to gross assets percentage rose from 3.2% in 1983 to 3.6% while the adjusted total capital position amounted to 5.0%, up from 4.6% in 1983. A more dramatic increase is apparent when comparison of current levels is made with those of 1982.

Over the past few years, regulators, investors and others have, for a variety of reasons, focused special attention on the adequacy of a bank's capital base. While the ratios reported in Table 13 are a useful indicator of the progress made in raising overall capital levels, we believe that ratios alone do not allow a complete assessment of this important subject.

Table 12

Change in Capital Balances

For the year ended October 31

(\$ Millions)

	1984	1983	1982	1981	1980
Net income	\$450	\$480	\$358	\$478	\$348
Excess of loss experience on loans over provision for loan losses	(207)	(320)	(336)	(33)	(22)
Income tax credit on transfer to appropriations for contingencies	91	86	94	36	10
Other	(12)	—	21	—	—
Capital from operations	322	246	137	481	336
Less dividends	(247)	(218)	(201)	(148)	(95)
Internally generated capital	75	28	(64)	333	241
Other sources of capital:					
Common stock	142	96	43	62	161
Preferred stock	226	292	203	151	—
Debentures	216	(2)	342	185	75
Total increase in capital	\$659	\$414	\$524	\$731	\$477

More important and perhaps less quantifiable measures of a bank's stability are management capability, stability of funding sources, diversity of loan portfolios and earnings streams and market position.

A most significant strength for the Royal Bank is its huge base of stable Canadian consumer deposits which, as reported elsewhere in this report, totalled \$31 billion at year end. This core consumer deposit base enhances the stability of the Bank because it permits minimal dependence on volatile funding sources. Capital ratios are also affected by the relative liquidity positions of individual banks. While the high levels of liquidity that are maintained by the Bank have the effect of reducing reported capital ratios, it should be appreciated that such balances greatly increase the Bank's flexibility - and thus its stability - during periods of unsettled financial markets.

We would also caution that care should be exercised when making comparisons of Canadian capital ratios with those reported by banks in other countries. There are important definitional differences which may make such comparisons invalid. For example, the primary capital base for U.S. banks, as defined

by regulators in that country, includes the allowance for loan losses. In Canada such amounts are deducted from loan balances outstanding and are not included in the definition of primary capital. Similarly, unlike the Canadian practice, U.S. banks do not include contingent liabilities such as letters of credit and guarantees in the determination of their capital ratios nor do they reduce primary capital for investments in equity-accounted (non-consolidated) affiliates.

Finally, we would mention the Bank's significant investment in properties. These assets, which consist of branches and office buildings in Canada and abroad, are carried in our accounts at a net value of \$572 million. Management estimates these properties to have a market value which is significantly in excess of their book value. While there is no intention of disposing of these assets, we believe that the existence of an unrecorded appraisal surplus is relevant.

All things considered, the Bank has a very sound capital position which compares favourably with that of its domestic and international competitors. We will continue to build on this base in the periods ahead.

Chart 11

Capital Funds
(\$ Millions)

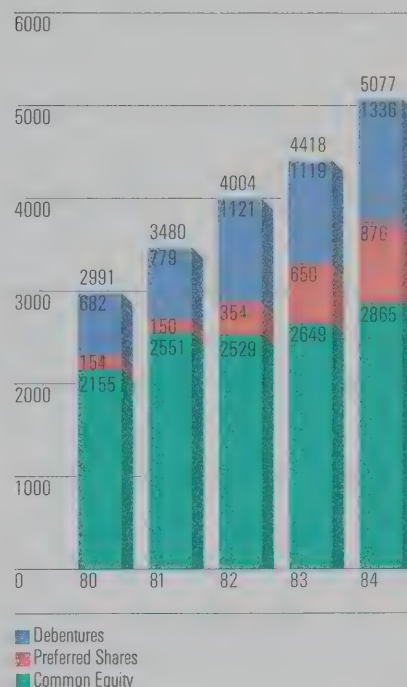


Table 13

Capital Ratios					
As at October 31					
(\$ Millions)	1984	1983	1982	1981	1980
Total assets	\$88,003	\$84,682	\$88,456	\$85,359	\$61,482
Letters of credit and guarantees	4,400	3,595	3,421	3,409	2,479
Less investment in associated corporations (20%-50% owned)	(110)	(95)	(83)	(75)	(98)
Gross assets	\$92,293	\$88,182	\$91,794	\$88,693	\$63,863
Primary capital:					
Common shareholders' equity	\$ 2,763	\$ 2,549	\$ 2,428	\$ 2,293	\$ 1,942
Permanent preferred shares	531	300	—	—	—
Appropriations for contingencies	103	100	101	258	213
Less investment in associated corporations (20%-50% owned)	(110)	(95)	(83)	(75)	(98)
Minority interests	8	5	2	6	22
Total primary capital	3,295	2,859	2,448	2,482	2,079
Secondary capital:					
Other preferred shares*	345	350	354	150	154
Bank debentures*	1,011	856	950	559	529
Total secondary capital	1,356	1,206	1,304	709	683
Adjusted total capital (primary and secondary)	\$ 4,651	\$ 4,065	\$ 3,752	\$ 3,191	\$ 2,762
Primary capital to gross assets	3.6%	3.2%	2.7%	2.8%	3.3%
Adjusted total capital to gross assets	5.0%	4.6%	4.1%	3.6%	4.3%

*Securities which are within five years of maturity are subject to straight line amortization to zero during their remaining term and, accordingly, are included above at their amortized value.

Annual Domestic Highlights					
(as a per cent of average assets)					
	1984	1983	1982	1981	1980
Net interest income (taxable equivalent basis)	3.49%	3.41%	2.67%	2.95%	3.16%
Provision for loan losses	.59	.55	.46	.28	.25
	2.90	2.86	2.21	2.67	2.91
Other income	.96	.86	.71	.65	.68
	3.86	3.72	2.92	3.32	3.59
Non-interest expenses	2.58	2.44	2.33	2.22	2.69
	1.28	1.28	.59	1.10	.90
Income taxes (including taxable equivalent adjustment)	.63	.62	.30	.55	.45
Minority interests	—	—	—	.01	.03
Return on assets	.65%	.66%	.29%	.54%	.42%
Average assets (\$ millions)	\$55,286	\$56,619	\$56,061	\$48,878	\$36,462
Net income (\$ millions)	\$359	\$374	\$162	\$262	\$154

Annual International Highlights					
(as a per cent of average assets)					
	1984	1983	1982	1981	1980
Net interest income (taxable equivalent basis)	1.73%	1.65%	1.85%	2.26%	2.21%
Provision for loan losses	.66	.47	.26	.21	.17
	1.07	1.18	1.59	2.05	2.04
Other income	.56	.59	.57	.74	.65
	1.63	1.77	2.16	2.79	2.69
Non-interest expenses	1.20	1.19	1.13	1.20	1.06
	.43	.58	1.03	1.59	1.63
Income taxes (including taxable equivalent adjustment)	.14	.23	.43	.71	.65
Return on assets	.29%	.35%	.60%	.88%	.98%
Average assets (\$ millions)	\$31,376	\$30,074	\$32,549	\$24,610	\$19,798
Net income (\$ millions)	\$91	\$106	\$196	\$216	\$194

Quarterly Domestic Highlights								
(as a per cent of average assets)								
	1984				1983			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income								
(taxable equivalent basis)	3.34%	3.39%	3.55%	3.64%	3.68%	3.46%	3.52%	3.07%
Provision for loan losses	.60	.58	.59	.59	.47	.51	.65	.57
	2.74	2.81	2.96	3.05	3.21	2.95	2.87	2.50
Other income	.99	.96	.93	.95	.92	.88	.87	.80
	3.73	3.77	3.89	4.00	4.13	3.83	3.74	3.30
Non-interest expenses	2.62	2.54	2.54	2.57	2.59	2.48	2.44	2.34
	1.11	1.23	1.35	1.43	1.54	1.35	1.30	.96
Income taxes (including taxable								
equivalent adjustment)	.56	.61	.66	.70	.74	.63	.65	.48
Return on assets	.55%	.62%	.69%	.73%	.80%	.72%	.65%	.48%
Average assets (\$ millions)	\$55,805	\$56,452	\$54,671	\$54,390	\$56,180	\$56,388	\$55,855	\$56,793
Net income (\$ millions)	\$77	\$89	\$93	\$100	\$113	\$103	\$89	\$69

Quarterly International Highlights								
(as a per cent of average assets)								
	1984				1983			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income								
(taxable equivalent basis)	1.78%	1.60%	1.65%	1.92%	1.25%	1.68%	1.84%	1.76%
Provision for loan losses	.60	.67	.68	.71	.44	.64	.41	.39
	1.18	.93	.97	1.21	.81	1.04	1.43	1.37
Other income	.57	.49	.57	.63	.54	.62	.58	.60
	1.75	1.42	1.54	1.84	1.35	1.66	2.01	1.97
Non-interest expenses	1.27	1.15	1.22	1.18	1.22	1.19	1.19	1.15
	.48	.27	.32	.66	.13	.47	.82	.82
Income taxes (including taxable								
equivalent adjustment)	.12	.09	.08	.28	(.05)	.22	.40	.28
Minority interests	—	—	—	—	—	.01	—	—
Return on assets	.36%	.18%	.24%	.38%	.18%	.24%	.42%	.54%
Average assets (\$ millions)	\$32,204	\$31,848	\$31,043	\$29,854	\$29,076	\$29,723	\$30,796	\$31,598
Net income (\$ millions)	\$29	\$14	\$19	\$29	\$14	\$18	\$31	\$43

Consolidated Statement of Income
For the Year Ended October 31
(in thousands of dollars)

	1984	1983	1982	1981	1980	1979	1978	1977
Interest Income								
Loans	\$6,967,533	\$7,008,683	\$9,360,648	\$8,193,495	\$5,006,165	\$3,649,193	\$2,532,891	\$2,071,257
Lease financing	64,572	71,093	75,426	41,316	33,778	22,069	21,089	9,387
Securities	718,337	663,882	788,414	776,790	613,836	501,004	320,344	244,808
Deposits with banks	1,267,152	1,138,627	1,860,323	1,738,799	1,114,410	640,722	364,927	262,181
	9,017,594	8,882,285	12,084,811	10,750,400	6,768,189	4,812,988	3,239,251	2,587,633
Interest Expense								
Deposits	6,605,067	6,513,404	10,150,744	8,952,226	5,350,810	3,601,352	2,095,151	1,626,124
Bank debentures	120,217	126,699	128,506	71,659	49,476	44,894	33,764	27,933
Other	38,610	39,318	40,293	14,780	9,739	4,857	4,628	5,072
	6,763,894	6,679,421	10,319,543	9,038,665	5,410,025	3,651,103	2,133,543	1,659,129
Net Interest Income	2,253,700	2,202,864	1,765,268	1,711,735	1,358,164	1,161,885	1,105,708	928,504
Provision for loan losses	535,000	452,000	344,000	185,601	124,430	106,021	96,544	83,710
Net Interest Income After Provision for Loan Losses	1,718,700	1,750,864	1,421,268	1,526,134	1,233,734	1,055,864	1,009,164	844,794
Other income	708,792	667,037	582,874	500,410	377,647	321,292	270,480	244,747
Net Interest and Other Income	2,427,492	2,417,901	2,004,142	2,026,544	1,611,381	1,377,156	1,279,644	1,089,541
Non-Interest Expenses								
Salaries	1,014,353	976,905	944,545	783,894	664,310	575,217	493,650	443,714
Pension and other staff benefits	91,546	98,129	91,516	78,668	73,783	64,780	54,059	49,055
Premises and equipment, including depreciation	293,954	273,264	255,852	203,029	176,886	157,975	151,387	132,747
Other	403,659	397,459	381,961	318,425	274,650	212,963	180,492	159,562
	1,803,512	1,745,757	1,673,874	1,384,016	1,189,629	1,010,935	879,588	785,078
Net Income Before Income Taxes	623,980	672,144	330,268	642,528	421,752	366,221	400,056	304,463
Income taxes	173,000	191,000	(28,000)	160,219	60,876	60,557	135,651	114,289
Net Income Before Minority Interests	450,980	481,144	358,268	482,309	360,876	305,664	264,405	190,174
Minority interests in subsidiaries	895	1,151	620	4,133	12,844	15,973	3,300	2,218
Net Income	\$ 450,085	\$ 479,993	\$ 357,648	\$ 478,176	\$ 348,032	\$ 289,691	\$ 261,105	\$ 187,956
Income Per Share								
Basic	\$4.25	\$5.03	\$3.87	\$5.75	\$4.74	\$3.96	\$3.57	\$2.57
Fully diluted	\$3.87	\$4.58	\$3.68	\$5.71	\$4.74	\$3.96	\$3.57	\$2.57

Consolidated Statement of Assets and Liabilities								
As at October 31								
(in thousands of dollars)	1984	1983	1982	1981	1980	1979	1978	1977
Assets								
Cash resources	\$15,648,210	\$13,001,831	\$15,018,402	\$15,851,527	\$11,141,883	\$ 9,752,064	\$ 7,463,315	\$ 6,565,099
Securities	7,483,882	7,356,747	6,794,565	7,346,426	6,567,092	6,103,886	4,674,358	3,478,874
Loans	59,014,248	58,066,890	60,284,459	57,131,133	40,805,248	32,713,333	26,977,407	23,066,315
Customers' liability under acceptances	3,332,313	3,928,158	3,471,826	2,414,937	1,451,068	934,171	498,963	365,019
Land, buildings and equipment	946,847	915,205	861,271	810,266	732,806	621,170	543,774	478,413
Other assets	1,577,208	1,412,992	2,025,469	1,805,163	784,014	550,963	445,237	321,439
Total Assets	\$88,002,708	\$84,681,823	\$88,455,992	\$85,359,452	\$61,482,111	\$50,675,587	\$40,603,054	\$34,275,159
Liabilities								
Deposits:								
Payable on demand	\$ 6,908,522	\$ 7,985,266	\$ 6,958,361	\$ 7,048,266	\$ 7,174,200	\$ 6,044,284	\$ 6,241,106	\$ 5,183,165
Payable after notice	19,021,503	18,102,661	16,115,476	13,753,780	11,694,397	9,522,866	8,291,186	7,579,935
Payable on a fixed date	51,658,320	48,301,281	55,331,625	56,063,342	36,964,587	31,007,746	23,032,064	19,111,274
Total Deposits	77,588,345	74,389,208	78,405,462	76,865,388	55,833,184	46,574,896	37,564,356	31,874,374
Other liabilities:								
Acceptances	3,332,313	3,928,158	3,471,826	2,414,937	1,451,068	934,171	498,963	365,019
Advances from Bank of Canada	—	76,000	—	—	—	—	—	—
Other liabilities	1,996,828	1,865,393	2,571,863	2,592,699	1,272,168	729,668	624,812	434,227
Minority interests in subsidiaries	8,110	4,786	2,249	6,305	176,230	164,656	14,607	8,887
	5,337,251	5,874,337	6,045,938	5,013,941	2,899,466	1,828,495	1,138,382	808,133
Subordinated debt – Bank debentures	1,335,877	1,119,413	1,121,212	779,325	594,226	519,559	413,666	353,891
Capital and reserves:								
Appropriations for contingencies	102,712	100,197	100,894	257,800	213,180	212,163	129,914	64,270
Shareholders' equity:								
Capital stock – preferred	876,068	649,820	354,038	150,285	—	—	—	—
– common	770,683	629,152	84,833	82,843	80,243	73,181	73,181	73,181
Contributed surplus	—	—	451,965	407,872	348,125	192,762	192,762	192,762
Retained earnings	1,991,772	1,919,696	1,891,650	1,801,998	1,513,687	1,274,531	1,090,793	908,548
	3,741,235	3,298,865	2,883,380	2,700,798	2,155,235	1,752,637	1,486,650	1,238,761
Total Liabilities, Capital and Reserves	\$88,002,708	\$84,681,823	\$88,455,992	\$85,359,452	\$61,482,111	\$50,675,587	\$40,603,054	\$34,275,159

Selected Statistical Data Eight-Year Analytical Review		1984	1983	1982	1981	1980	1979	1978	1977
Revenue and Expenses as a Per Cent of Average Total Assets									
Average total assets (\$ millions)		\$86,662	\$86,693	\$88,532	\$73,488	\$56,260	\$46,173	\$37,325	\$31,709
Net interest income (taxable equivalent basis) (1)		2.86%	2.80%	2.37%	2.72%	2.82%	2.95%	3.14%	3.04%
Provision for loan losses		.62	.52	.39	.25	.22	.23	.26	.26
		2.24	2.28	1.98	2.47	2.60	2.72	2.88	2.78
Other income		.82	.77	.66	.68	.67	.70	.72	.77
		3.06	3.05	2.64	3.15	3.27	3.42	3.60	3.55
Non-interest expenses		2.08	2.01	1.89	1.88	2.11	2.19	2.36	2.47
		.98	1.04	.75	1.27	1.16	1.23	1.24	1.08
Income taxes (including taxable equivalent adjustment)		.46	.49	.35	.61	.52	.56	.53	.48
Minority interests		—	—	—	.01	.02	.04	.01	.01
Return on assets		.52%	.55%	.40%	.65%	.62%	.63%	.70%	.59%
Share Information:									
Shares outstanding (thousands) (2)		90,840	86,769	83,830	81,710	73,402	73,180	73,180	73,180
Earnings per share (3)		\$4.25	\$5.03	\$3.87	\$5.75	\$4.74	\$3.96	\$3.57	\$2.57
Dividends		\$2.00	\$2.00	\$2.00	\$1.70	\$1.26	\$1.09	\$.78	\$.69
Share price (4) High		\$35.38	\$36.00	\$27.50	\$32.25	\$27.75	\$23.38	\$19.00	\$14.31
Low		\$24.88	\$23.50	\$18.00	\$24.13	\$17.94	\$16.88	\$12.19	\$11.38
Close		\$28.38	\$31.75	\$23.50	\$25.75	\$26.75	\$18.69	\$17.50	\$12.38
Book value (5)		\$30.85	\$30.05	\$29.82	\$30.79	\$26.86	\$23.95	\$20.31	\$16.93
Price/earnings ratio (6)		7.1	5.9	5.9	4.9	4.8	5.1	4.4	5.0
Dividend yield (7)		6.6%	6.7%	8.8%	6.0%	5.5%	5.4%	5.0%	5.4%
Other Information:									
Deposit to capital ratio (8)		15.3:1	16.8:1	19.6:1	22.1:1	20.3:1	20.5:1	19.8:1	20.1:1
Return on equity (9)		13.8%	16.8%	12.7%	20.0%	17.8%	17.9%	19.2%	16.1%
Number of shareholders (10)		79,085	62,332	51,159	47,587	38,463	32,058	31,503	32,276
Number of employees (11)		38,189	38,687	39,757	38,953	37,034	36,507	35,660	35,335
Number of branches		1,510	1,536	1,568	1,574	1,592	1,604	1,600	1,595

Notes to Selected Statistical Data:

- (1) These figures have been adjusted to a taxable equivalent basis to recognize income from tax-exempt sources of the following amounts:

	(\$ Millions)
1977	36
1978	66
1979	198
1980	230
1981	287
1982	331
1983	225
1984	221

- (2) Weighted daily average of equivalent fully-paid common shares outstanding.
(3) Net income less preferred share dividends divided by average shares outstanding.

- (4) High and low price of common shares traded on the Toronto Stock Exchange during the fiscal year and the closing price on the last trading day of October.
(5) Common Shareholders' Equity plus Appropriations for Contingencies divided by common shares outstanding at October 31.
(6) Average of high and low common share price divided by earnings per share.
(7) Dividends per common share divided by the average of high and low share price.
(8) Total deposits to total capital on October 31. Total capital includes Shareholders' Equity, Appropriations for Contingencies and Bank Debentures.
(9) Net Income after taxes less preferred share dividends divided by average of monthly Common Shareholders' Equity plus Appropriations for Contingencies.
(10) Total common shareholders at October 31.
(11) Full time staff on October 31.

Quarterly Perspective (\$ Millions, except per share)								
Year	Fiscal Quarter	Net Interest Income (Taxable Equiv. Basis)	Provision for Loan Losses	Other Income	Non- Interest Expenses	Net Income	Earnings Per Share	Dividends Per Share
1983	I	\$ 579	\$113	\$162	\$ 427	\$112	\$1.22	\$.50
	II	618	119	162	421	120	1.28	.50
	III	618	121	172	442	121	1.24	.50
	IV	613	99	171	456	127	1.29	.50
1983	Full Year	\$2,428	\$452	\$667	\$1,746	\$480	\$5.03	\$2.00
1984	I	\$ 644	\$134	\$177	\$ 441	\$129	\$1.30	\$.50
	II	605	132	169	436	112	1.07	.50
	III	611	136	177	455	103	.93	.50
	IV	615	133	186	472	106	.95	.50
1984	Full Year	\$2,475	\$535	\$709	\$1,804	\$450	\$4.25	\$2.00

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

■ These financial statements were prepared by the management of The Royal Bank of Canada. While the form of the financial statements and the accounting policies to be followed are stipulated in the Bank Act and related rules issued by the Inspector General of Banks, many amounts must of necessity be based on the best estimates and judgments of management.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, written policies and procedures manuals, a written corporate code of conduct and accountability for performance within appropriate and well defined areas of responsibility.

The system of internal controls is further supported by an inspection staff which conducts periodic inspections of all aspects of the Bank's operations. In addition, the Bank's Chief Inspector has full and free access to the Audit Committee of the Board of Directors which oversees management's responsibilities for financial reporting. The Audit Committee is composed entirely of directors who are neither officers nor employees of the Bank.

The Inspector General of Banks, at least once a year, makes such examination and enquiry into the affairs of the Bank as he feels necessary to satisfy himself that the provisions of the Bank Act, having reference to the safety of the depositors and shareholders of the Bank, are being duly observed and that the Bank is in a sound financial condition.

Touche Ross & Co. and Price Waterhouse, the independent auditors appointed by the shareholders of the Bank, have examined our financial statements in accordance with generally accepted auditing standards and their report follows. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and their findings as to the integrity of the Bank's financial reporting and the adequacy of the system of internal controls.

Rowland C. Frazee
Chairman and
Chief Executive Officer

A. R. Taylor
President and
Chief Operating Officer

AUDITORS' REPORT

To the Shareholders,
The Royal Bank of Canada

■ We have examined the consolidated statement of assets and liabilities of The Royal Bank of Canada as at October 31, 1984 and the consolidated statements of income, appropriations for contingencies and changes in shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1984

and the results of its operations for the year then ended in accordance with accounting principles prescribed by the Bank Act applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Price Waterhouse
Chartered Accountants

Montreal, December 3, 1984

CONSOLIDATED STATEMENT OF INCOME

(in thousands of dollars)	Year Ended October 31, 1984	Year Ended October 31, 1983
Interest Income		
Loans	\$6,967,533	\$7,008,683
Lease financing	64,572	71,093
Securities	718,337	663,882
Deposits with banks	1,267,152	1,138,627
	9,017,594	8,882,285
Interest Expense		
Deposits	6,605,067	6,513,404
Bank debentures	120,217	126,699
Other	38,610	39,318
	6,763,894	6,679,421
Net Interest Income	2,253,700	2,202,864
Provision for loan losses	535,000	452,000
Net Interest Income After Provision for Loan Losses	1,718,700	1,750,864
Other income	708,792	667,037
Net Interest and Other Income	2,427,492	2,417,901
Non-Interest Expenses		
Salaries	1,014,353	976,905
Pension and other staff benefits	91,546	98,129
Premises and equipment, including depreciation	293,954	273,264
Other	403,659	397,459
	1,803,512	1,745,757
Net Income Before Income Taxes	623,980	672,144
Income taxes (note 2)	173,000	191,000
Net Income Before Minority Interests	450,980	481,144
Minority interests in subsidiaries	895	1,151
Net Income	\$ 450,085	\$ 479,993
Income per Share (note 3)		
Basic	\$4.25	\$5.03
Fully diluted	\$3.87	\$4.58

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(in thousands of dollars)	October 31, 1984	October 31, 1983
Assets		
Cash Resources		
Cash and deposits with Bank of Canada	\$ 1,531,214	\$ 1,503,749
Deposits with other banks	14,043,302	11,466,036
Cheques and other items in transit, net	73,694	32,046
	15,648,210	13,001,831
Securities (note 4)		
Issued or guaranteed by Canada	2,774,411	3,120,621
Issued or guaranteed by provinces and municipal or school corporations	86,675	101,828
Other securities	4,622,796	4,134,298
	7,483,882	7,356,747
Loans		
Day, call and short loans to investment dealers and brokers, secured	203,342	689,455
Loans to banks	2,014,304	1,815,474
Mortgage loans	9,457,975	8,375,739
Other loans (note 5)	47,338,627	47,186,222
	59,014,248	58,066,890
Other		
Customers' liability under acceptances	3,332,313	3,928,158
Land, buildings and equipment (note 6)	946,847	915,205
Other assets (note 7)	1,577,208	1,412,992
	5,856,368	6,256,355
	\$88,002,708	\$84,681,823

(in thousands of dollars)	October 31, 1984	October 31, 1983
Liabilities		
Deposits (note 8)		
Payable on demand	\$ 6,908,522	\$ 7,985,266
Payable after notice	19,021,503	18,102,661
Payable on a fixed date	51,658,320	48,301,281
	77,588,345	74,389,208
Other		
Advances from Bank of Canada	—	76,000
Acceptances	3,332,313	3,928,158
Liabilities of subsidiaries other than deposits (note 9)	336,055	339,820
Other liabilities (note 10)	1,660,773	1,525,573
Minority interests in subsidiaries	8,110	4,786
	5,337,251	5,874,337
Subordinated Debt		
Bank debentures (note 11)	1,335,877	1,119,413
Capital and Reserves		
Appropriations for contingencies	102,712	100,197
Shareholders' equity		
Capital stock (note 12)	1,646,751	1,278,972
Retained earnings	1,991,772	1,919,696
	3,741,235	3,298,865
	\$88,002,708	\$84,681,823

ROWLAND C. FRAZEE

Chairman and Chief Executive Officer

A. R. TAYLOR

President and Chief Operating Officer

CONSOLIDATED STATEMENT OF APPROPRIATIONS FOR CONTINGENCIES

(in thousands of dollars)	Year Ended October 31, 1984	Year Ended October 31, 1983
Balance at Beginning of Year		
(tax-paid in 1984; tax-deductible in 1983)	\$100,197	\$100,894
Loss experience on loans	(742,485)	(771,697)
Provision for loan losses included in the Consolidated Statement of Income	535,000	452,000
Transfer from Retained Earnings	210,000	319,000
Balance at End of Year (tax-paid)	\$102,712	\$100,197

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of dollars)	Year Ended October 31, 1984	Year Ended October 31, 1983
Capital Stock		
Balance at Beginning of Year	\$1,278,972	\$ 438,871
Issue of preferred shares	229,930	300,000
Issue of common shares	141,516	95,486
Preferred shares purchased for cancellation	(5,177)	(4,218)
Transfer from Contributed Surplus	-	448,833
Translation adjustment on shares issued in foreign currency	1,510	-
Balance at End of Year	\$1,646,751	\$1,278,972
Retained Earnings		
Balance at Beginning of Year	\$1,919,696	\$1,891,650
Net income	450,085	479,993
Dividends (note 12)	(247,046)	(217,984)
Gain on preferred shares purchased for cancellation	957	-
Transfer to Appropriations for Contingencies	(210,000)	(319,000)
Income taxes related to the above transfer (note 2)	91,400	86,000
Expenses of share issues net of income taxes (note 2)	(1,217)	(4,909)
Unrealized foreign currency translation losses net of income taxes (notes 1 and 2)	(12,103)	-
Transfer from Contributed Surplus	-	3,946
Balance at End of Year	\$1,991,772	\$1,919,696

1. Significant Accounting Policies

The consolidated financial statements of The Royal Bank of Canada are prepared in accordance with accounting principles prescribed by the Bank Act and the related rules issued by the Inspector General of Banks under the authority of the Minister of Finance. These regulations require the Bank to carry its assets and liabilities on the historical cost basis and to follow the accrual method of accounting.

Basis of Consolidation

The consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances. The Bank accounts for the acquisition of subsidiaries using the purchase method; any difference between the cost of the investment and the fair value of assets acquired is amortized over appropriate periods varying from 5 to 40 years.

Investments in associated corporations (corporations owned between 20% and 50%) are accounted for using the equity method. The Bank's share of earnings of these associated corporations and gains and losses

The accounting principles followed in determining Net Income conform in all material respects with accounting principles generally accepted in Canada except for (i) the deferral of gains and losses on the disposal of debt securities and (ii) the accounting for losses on loans.

The significant accounting policies of the Bank are summarized below:

realized on dispositions of investments in associated corporations are included in income from securities.

As required by the Bank Act, a listing of subsidiaries, associated corporations and other corporations in which the Bank owns in excess of 10% of the voting shares is shown in note 17; separate condensed Statements of Assets and Liabilities and condensed Statements of Income for Royal Bank Mortgage Corporation, RoyLease Limited and Royal Bank Venture Capital Limited are included in note 16.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; income and expenses are translated at prevailing quarter-end rates.

Foreign exchange trading positions including spot and forward contracts are valued monthly at prevailing market rates and the resulting gains and losses are included in "Other income". Realized gains and losses on foreign exchange transactions are also included in "Other income".

In accordance with revised rules issued by the Inspector General of Banks, effective November 1, 1983 the Bank modified its accounting

policy regarding translation of long-term investments denominated in foreign currencies. These modifications had no material effect on net income in 1984. Under the revised rules, unrealized foreign currency translation gains and losses (net of hedging gains and losses) on investments in foreign branches, subsidiaries and associated corporations are recorded in Retained Earnings. Also, in accordance with the revised rules, no restatement is made to the financial statements of prior periods. On disposal of such investments, the accumulated translation gain or loss is included in income.

Securities

Securities include both investment account and trading account securities.

Investment account securities are carried at amortized cost. Premiums and discounts are amortized to income on the yield method over the period to maturity of the related securities. Gains and losses realized on disposal of debt securities other than Treasury Bills are deferred and amortized to income over five years. Gains and losses realized on

disposal of other investment securities and write-downs to reflect permanent impairment in value are included in income in the period in which they occur.

Trading account securities are carried at estimated current market value. Gains and losses realized on disposal and unrealized valuation adjustments are included in income in the period in which they occur.

Loans

Loans are stated net of unearned interest and provisions for losses. Specific provisions are established on a loan-by-loan basis to recognize anticipated losses on all types of loans except Visa card balances, which are written off when no payment has been received for 180 days. In addition, general provisions are made in respect of overall exposure in a number of troubled countries based on an assessment of the underlying economic conditions in those countries. Aggregate specific provisions and general provisions for losses on loans are increased by new provisions (the "Loss experience on loans") and reduced by loan write-offs net of recoveries.

The "Loss experience on loans" is charged to "Appropriations for contingencies". The "Provision for loan losses" (based upon a formula prescribed by the Minister of Finance designed to average the loss experience over a five-year period) is charged to income and credited to "Appropriations for contingencies".

Loans, except Visa card balances, are placed on a nonaccrual basis

whenever there is reasonable doubt regarding the collectibility of principal or interest. Whenever payment of interest is ninety days past due, loans are automatically placed on a nonaccrual basis except in certain instances where management determines that the collectibility of principal and interest is not reasonably in doubt. Upon classification of a loan to a nonaccrual basis any previously accrued but unpaid interest thereon is reversed against income of the current period. In subsequent periods, interest received on nonaccrual loans is recorded as income only if management has determined that the loan does not require a specific provision for loss; otherwise interest received is credited to principal.

Loan fees are included in income as received only where they relate to expenses incurred or services performed. Loan rescheduling fees and fees received which are in lieu of interest are deferred and amortized to income over the term of the loan.

Acceptances

The Bank's potential liability under acceptances is reported as a liability in the Statement of Assets and Liabilities. The Bank's recourse against

the customer in the case of a call on these commitments is reported as an offsetting asset of the same amount.

Land, Buildings and Equipment

Land, buildings and equipment are reported at cost and are depreciated principally on the straight-line method over their estimated useful lives as follows:

Buildings	20 to 50 years
Computer equipment	6 years
Furniture, fixtures and other equipment	7 to 10 years
Leasehold improvements	term of lease plus first option period

Appropriations for Contingencies

The Bank makes appropriations for contingencies with respect to possible unforeseen losses on loans (in addition to specific provisions for losses on identified loans and general provisions for losses on lending to

troubled countries) through transfers from Retained Earnings. Of such transfers, the maximum amount which may be made on a tax-deductible basis is prescribed in regulations of the Minister of Finance.

Income Taxes

The Bank follows the tax allocation basis of accounting under which income taxes on specific transactions are recorded in the periods in which the transactions are recognized for accounting purposes regardless of when the transactions are recognized for tax purposes. Deferred income taxes accumulated as a result of such timing differences are

included either in "Other assets" or "Other liabilities" as applicable. In addition, the Statement of Income contains items which are non-taxable or non-deductible for income tax purposes. Such permanent differences cause the income tax provision to be different than it would be based on statutory rates.

2. Income Taxes

1984

1983

The total income taxes for the year are reported in the consolidated financial statements as follows:

Statement of Income	\$173,000	\$191,000
Statement of Retained Earnings-		
Transfer to appropriations for contingencies	(91,400)	(86,000)
Expenses of share issues	(1,200)	(4,500)
Unrealized foreign currency translation losses	(4,500)	-

Total Income Taxes	\$ 75,900	\$100,500
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The current and deferred income taxes are as follows:

Current income taxes	\$ 51,931	\$ 75,807
Deferred income taxes	23,969	24,693
Total Income Taxes	\$ 75,900	\$100,500

Income taxes in the Statement of Income are at an effective rate less than the combined federal and provincial statutory income tax rate for the following reasons:

Combined federal and provincial statutory income tax rate	48.4%	48.9%
Increase (decrease) in rate resulting from:		
Tax-exempt income from securities, primarily income debentures, term preferred shares and small business bonds	(17.1)	(16.3)
Lower average tax rate applicable to foreign subsidiaries	(4.9)	(3.8)
Other, net	1.3	(0.4)
Effective income tax rate	27.7%	28.4%

3. Income per Share

Basic Income per Share is after deducting preferred dividends and has been calculated on the average number of common shares outstanding. The average number of common shares outstanding for the year ended October 31, 1984 was 90,840,090 (1983 – 86,768,525).

Fully Diluted Income per Share has been calculated on the average number of common shares which would have been outstanding in each year assuming conversion of all convertible

securities and exercise of all warrants outstanding as at the beginning of each year or date of issue if later. For purposes of this calculation, adjustments have been made for the after-tax interest on convertible debentures, the dividends on convertible preferred shares and an imputed after-tax return at an appropriate rate on additional funds of \$41,997,000 which would be received on the conversion of the second preferred shares series A.

4. Securities	Maturity					1984		1983	
	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Carrying Amount	Estimated Market Value	Carrying Amount	Estimated Market Value
Securities Issued or Guaranteed by Canada	\$2,310,313	\$ 31,561	\$ 122,896	\$ 309,641	\$ –	\$2,774,411	\$2,757,562	\$3,120,621	\$3,118,741
Provinces and municipal or school corporations in Canada	67,650	4,522	8,377	3,852	2,274	86,675	85,850	101,828	100,559
Other Securities									
Debt Securities:									
Floating rate income debentures	61,126	78,651	78,825	37,127	120,000	375,729	375,729	525,014	525,014
Floating rate small business bonds	6,807	197,692	376,237	–	–	580,736	580,736	420,166	420,166
Other	294,997	108,889	158,212	682,903	152,086	1,397,087	1,398,385	800,623	784,607
Equity Securities:									
Floating rate term preferred shares	104,328	226,163	647,279	754,364	122,338	1,854,472	1,854,472	1,902,258	1,902,258
Associated corporations					110,239	110,239*	110,239	94,969	94,969
Other					304,533	304,533*	270,850	391,268	372,325
	\$2,845,221	\$ 647,478	\$1,391,826	\$1,787,887	\$ 811,470	\$7,483,882	\$7,433,823	\$7,356,747	\$7,318,639

*These securities have no stated maturity

5. Other Loans	1984	1983
Provinces and municipal or school corporations in Canada	\$ 228,755	\$ 290,532
Associated corporations	108,532	67,723
Lease receivables	523,207	561,383
Other loans in Canadian currency	26,564,659	25,701,116
Other loans in foreign currencies	19,913,474	20,565,468
	\$47,338,627	\$47,186,222

6. Land, Buildings and Equipment	1984		1983	
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	\$ 124,919	\$ –	\$124,919	\$120,969
Buildings	581,661	134,583	447,078	456,900
Computer equipment	263,631	114,323	149,308	112,999
Furniture, fixtures and other equipment	311,308	204,446	106,862	108,783
Leasehold improvements	193,759	75,079	118,680	115,554
	\$1,475,278	\$528,431	\$946,847	\$915,205

Depreciation and amortization expense for the year ended October 31, 1984 was \$84,496,000 (1983 – \$73,266,000)

7. Other Assets	1984	1983
Accrued interest	\$1,015,533	\$ 894,177
Unamortized past service pension contributions	47,920	53,640
Unamortized losses on disposal of debt securities	22,049	33,593
Deferred income taxes	50,607	58,666
Goodwill	41,831	57,886
Sundry, including accounts receivable	399,268	315,030
	\$1,577,208	\$1,412,992

8. Deposits	1984	1983
Deposits by Canada	\$ 595,275	\$ 854,082
Deposits by provinces	217,266	463,697
Deposits by banks	19,272,834	18,709,745
Deposits by individuals	35,591,236	33,499,057
Other deposits	21,911,734	20,862,627
	\$77,588,345	\$74,389,208

9. Liabilities of Subsidiaries other than Deposits

These liabilities are subordinated in right of payment to claims of the depositors and certain other creditors of the respective subsidiaries.

	1984	1983
RoyLease Limited		
Long-term notes payable in various amounts to 1992 and bearing interest at rates from 5 3/4% to 11 1/4%	\$271,377	\$280,822
The Royal Bank of Canada (Curaçao) N.V.		
7 3/4% DM 100,000,000 bonds due 1990	43,022	46,620
Other subsidiaries	21,656	12,378
	\$336,055	\$339,820

10. Other Liabilities	1984	1983
Accrued interest	\$1,299,177	\$1,072,072
Dividends payable	65,297	57,927
Accounts payable and accrued expenses	296,299	395,574
	\$1,660,773	\$1,525,573

11. Bank Debentures

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank.

In accordance with the formula prescribed in the Bank Act, as at November 1, 1984 the Bank had the capacity to issue an additional \$483,000,000 of debentures.

Maturity	Rate		1984	1983
February 15, 1984	8%		\$ -	\$ 40,000
May 15, 1986	10%	Callable	40,000	40,000
June 1, 1986	9¼%		60,000	60,000
April 7, 1987		(2)	131,440	123,270
June 1, 1987	9%		75,000	75,000
December 1, 1987	7½%	(1) Callable	789	789
April 1, 1988	9½%	(1) Callable	22,890	24,841
February 15, 1989	10.40%		75,000	75,000
November 15, 1990		(3)	75,000	75,000
April 15, 1991	7%	(1) Callable	2,827	2,922
July 22, 1991	12%	(4) Convertible	100,000	100,000
December 9, 1991		(5) Convertible, callable on or after December 10, 1986	259,781	260,000
February 15, 1992	9%	(1) Callable on or after February 15, 1985	34,244	35,138
May 15, 1994	10%	(1) Callable on or after May 15, 1986	35,326	40,000
December 1, 1994	10%	Maturity on December 1, 1984 at the option of the holder and callable on or after that date	75,000	75,000
May 22, 2000	11⅝%	(1),(6) Callable on or after November 22, 1992	98,580	92,453
October 1, 2083		(7) Callable on or after October 2, 1989	250,000	-
			\$1,335,877	\$1,119,413

(1) Subject to sinking fund provisions.

(2) The April 7, 1987 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S.\$100,000,000. These debentures bear interest at a rate equal to the average of the six months LIBOR.

(3) The November 15, 1990 debentures bear interest at a rate of ⅞ of 1% below the Bank's average daily prime rate.

(4) The July 22, 1991 debentures are convertible at the option of the holder prior to July 21, 1991 into common shares at a conversion price of \$35 per common share. These debentures are also convertible at the option of the Bank on or after July 23, 1986 at a conversion price of \$35 per common share if the common shares have traded at or in excess of certain weighted average prices.

(5) Subject to the call provisions, the December 9, 1991 debentures are convertible at the option of the holder up to and including December 9, 1991 into common shares at a conversion price of \$30 per common share subject to adjustment in certain events. The debentures bore interest at a rate of 15½% to December 9, 1983 and 11¼% thereafter.

(6) The May 22, 2000 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S.\$75,000,000.

(7) The October 1, 2083 debentures bear interest at a rate of .40% above the 30-day Bankers' Acceptance rate reported by the Bank of Canada.

The aggregate sinking fund requirements and maturities of the Bank's debentures assuming the earliest possible dates of maturity under the terms of issue are as follows:

Within 1 year	\$ 78,134
From 1 to 2 years	110,906
From 2 to 3 years	218,672
From 3 to 5 years	108,601
From 5 to 10 years	528,641
Over 10 years	290,923
	\$1,335,877

12. Capital Stock

Authorized Capital Stock -

Preferred - 50,000,000 First Preferred Shares and 50,000,000 Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares may be issued shall not exceed \$1,250,000,000 in each case.

Common - 250,000,000 shares without nominal or par value provided that the aggregate consideration shall not exceed \$3,000,000,000.

	1984		1983	
	Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount
Outstanding Capital Stock -				
First Preferred -				
\$1.88 Cumulative Redeemable First Preferred Shares Series A (1)				
Outstanding at beginning of year	5,593	\$ 139,820	5,762	\$ 144,038
Purchased for cancellation	207	5,177	169	4,218
Outstanding at end of year	5,386	134,643	5,593	139,820
\$1.45 First Preferred Shares Series B, Cumulative and Redeemable and Convertible when tendered with Common Share Warrants (2)				
Issued in June 1983 and outstanding at end of year	15,000	300,000	15,000	300,000
Floating Rate Cumulative Redeemable First Preferred Shares Series C (3)				
Issued in June 1984 and outstanding at end of year	1,000	100,000	-	-
U.S.\$ Floating Rate Cumulative Redeemable First Preferred Shares Series D (3)				
Issued in June 1984	1,000	129,930	-	-
Foreign currency translation adjustment		1,510		-
Outstanding at end of year	1,000	131,440	-	-
Second Preferred -				
\$2.75 Cumulative Redeemable Convertible Second Preferred Shares Series A (4)				
Outstanding at beginning of year	8,400	210,000	8,400	210,000
Converted into Common Shares	1	15	-	-
Outstanding at end of year	8,399	209,985	8,400	210,000
Common -				
Outstanding at beginning of year	88,162	629,152	84,833	84,833
Issued under the Shareholder Dividend and Share Purchase Plan	4,703	141,294	3,329	95,486
Issued on conversion of Preferred Shares	1	18	-	-
Issued on conversion of Debentures	7	219	-	-
Transferred from Contributed Surplus (5)		-		448,833
Outstanding at end of year	92,873	770,683	88,162	629,152
Total Outstanding Capital Stock		\$1,646,751		\$1,278,972

- (1) The Bank has undertaken to purchase in each calendar quarter 48,000 of the First Preferred Shares Series A, if available, at prices not exceeding \$25 per share.
- (2) 7,500,000 Common Share Warrants were issued in July 1983 to the holders of the First Preferred Shares Series B. Each Warrant entitles the holder to purchase one Common Share at a price of \$40 on or prior to June 9, 1988, subject to adjustment in certain events. In addition, each Warrant gives the holder the option to tender two First Preferred Shares Series B, in lieu of cash, in return for one Common Share, subject to adjustment in certain events. After June 9, 1988 the Bank will have the option to redeem the First Preferred Shares Series B at \$21 per share reducing by \$0.20 per year until June 9, 1993 and thereafter at \$20. The Bank may at any time purchase for cancellation First Preferred Shares Series B at a price per share, if purchased at any time on or prior to June 9, 1988, not exceeding \$21 and, if purchased thereafter, at a price per share not exceeding the then applicable above-mentioned redemption price.
- (3) The dividends on the Floating Rate First Preferred Shares Series C and D are determined quarterly by applying to Cdn.\$100 and U.S.\$100 respectively, the greater of (i) 6.67% and (ii) 66.67% of the Bank's average Canadian and U.S. prime rates respectively for stated periods. The Floating Rate First Preferred Shares Series C and D are not redeemable by the Bank prior to June 8, 1989 but thereafter are redeemable at a price per share of Cdn.\$100 and U.S.\$100 respectively. Subject to the consent of the Inspector General of Banks, the Bank may at any time purchase for cancellation Floating Rate First Preferred Shares Series C and D at a price per share, not exceeding Cdn.\$100 and U.S.\$100 respectively.
- (4) Subject to the Bank's right of conversion, the Second Preferred Shares Series A are convertible at the option of the holder up to and including December 8, 1988 into one Common Share upon payment by the holder of \$5, being a conversion price of \$30 per Common Share, subject to adjustment in certain events. If, after December 8, 1984, the Common Shares have traded at a price in excess of 125% of the prevailing conversion price for a specified period, the Bank shall have the right, upon notice, to convert the Second Preferred Shares Series A into Common Shares at the prevailing conversion price. No additional payment will be required from the holders of Second Preferred Shares Series A so converted. However, during the notice period, a holder of Second Preferred Shares Series A will continue to have to right to convert, at his option, each Second Preferred Share Series A into one Common Share upon the payment of \$5 per share converted. Commencing January 1, 1989 the Bank has undertaken to purchase in each calendar quarter 1% of the shares, outstanding as of December 10, 1988 if available, at prices not exceeding \$25 per share. The Second Preferred Shares Series A are retractable at the option of the holder on or before November 9, 1988, for redemption on December 9, 1988 at a price of \$28.75 per share.
- (5) On February 17, 1983, with the approval of the Minister of Finance, the authorized Common Shares of \$1 par value were changed into Common Shares without nominal or par value. As a result of this change \$448,833,000 of Contributed Surplus arising from issues of Common Shares was transferred to Capital Stock and \$3,946,000 of Contributed Surplus arising from purchases for cancellation of Preferred Shares was transferred to Retained Earnings.

As at October 31, 1984, Common Shares were reserved for possible issuance as follows:

	Number (in thousands)
- Under the Shareholder Dividend and Share Purchase Plan	19,464
- Upon conversion of the July 22, 1991 debentures	2,857
- Upon conversion of the December 9, 1991 debentures	8,660
- Upon conversion of the Second Preferred Shares Series A	8,399
- Upon exercise of the Common Share Warrants	7,500
	46,880

Dividends Declared	1984	1983
Preferred		
First Preferred		
Series A	\$ 10,303	\$ 10,681
Series B	21,748	9,967
Series C	3,954	-
Series D	5,228	-
Second Preferred		
Series A	23,100	23,100
	64,333	43,748
Common	182,713	174,236
	\$247,046	\$217,984

13. Pension Plan

The Bank has an employee pension plan which is available to all employees after five years service or at age 25, on a contributory or a non-contributory basis.

Total pension expense, which includes amortization of past service costs over the average future service-lives of employees, aggregated \$12,985,000 for the year ended October 31, 1984 (1983 - \$23,444,000).

An actuarial valuation of the pension fund is performed at least every three years. As at January 1, 1984, the date of the latest valuation, the pension plan was fully funded. Unamortized past service pension contributions of \$47,920,000 as at October 31, 1984 (1983 - \$53,640,000) are included in "Other assets" and are being charged to income over periods through to 1993.

14. Commitments and Contingent Liabilities

In the normal course of business the Bank undertakes various commitments and has contingent liabilities which are not reflected in the financial statements. These include commitments to extend credit, forward foreign exchange contracts and guarantees and letters of credit. Management does not anticipate any material losses to result from these transactions.

Outstanding amounts in respect of guarantees and letters of credit are as follows:

	1984	1983
Guarantees (including \$32,326,000 to associated corporations, 1983 - \$20,300,000)	\$2,808,108	\$2,050,329
Letters of credit	1,591,773	1,545,167
	\$4,399,881	\$3,595,496

Minimum future rental commitments for buildings under long-term non-cancellable leases for the next five years are:

1985	\$62,354
1986	54,818
1987	48,602
1988	40,663
1989	37,037

Annual rental commitments after 1989 are in decreasing amounts. Rental expense for buildings for the year ended October 31, 1984 was \$94,932,000 (1983 - \$90,212,000).

Various legal proceedings are pending against the Bank and its subsidiaries. Management considers that the aggregate liability, if any, resulting from these proceedings will not be material.

15. Domestic and International Operations

The Bank considers its Domestic Operations to include all business transacted in Canada, regardless of currency, with the exception of the Canadian-based activities of International Money Markets. This unit, together with the Bank's business carried on outside Canada, comprises International Operations.

While it is not practicable to make a definitive division of its Domestic and International Operations, appropriate allocations are made for (a) the cost of funds related to liquidity and capital computed on the basis of marginal costs of funds, and (b) corporate non-interest expenses.

	Domestic		International		Total	
	1984	1983	1984	1983	1984	1983
Net interest income - taxable equivalent basis	\$ 1,930,710	\$ 1,932,150	\$ 543,960	\$ 495,486	\$ 2,474,670	\$ 2,427,636
Deduct: Taxable equivalent adjustment*	182,094	201,828	38,876	22,944	220,970	224,772
Net interest income - financial statement basis	1,748,616	1,730,322	505,084	472,542	2,253,700	2,202,864
Provision for loan losses	327,000	309,500	208,000	142,500	535,000	452,000
	1,421,616	1,420,822	297,084	330,042	1,718,700	1,750,864
Other income	531,394	488,785	177,398	178,252	708,792	667,037
	1,953,010	1,909,607	474,482	508,294	2,427,492	2,417,901
Non-interest expenses	1,425,552	1,387,285	377,960	358,472	1,803,512	1,745,757
	527,458	522,322	96,522	149,822	623,980	672,144
Income taxes	168,500	148,648	4,500	42,352	173,000	191,000
	358,958	373,674	92,022	107,470	450,980	481,144
Minority interests	-	-	895	1,151	895	1,151
Net income	358,958	373,674	91,127	106,319	450,085	479,993
Average total assets	\$55,300,000	\$56,600,000	\$31,400,000	\$30,100,000	\$86,700,000	\$86,700,000

*The taxable equivalent adjustment represents a credit to interest income in order to gross up the tax-exempt income earned on certain securities (primarily small business bonds, income debentures and term preferred shares) to an amount which, had it been taxable at a rate of 50% in each year, would result

in the same after tax net income as appears in the financial statements. The gross up of such income to a taxable equivalent basis permits a uniform measurement and comparison of net interest income.

16. Condensed Financial Statements of Mortgage, Leasing and Venture Capital Subsidiaries

Royal Bank Mortgage Corporation (a wholly-owned subsidiary)

Statement of Assets and Liabilities

(in thousands of dollars)

	October 31, 1984	October 31, 1983
Assets		
Mortgage loans	\$5,303,252	\$5,868,454
Other investments	804,088	715,961
	<u>\$6,107,340</u>	<u>\$6,584,415</u>
Liabilities		
Accrued interest and other liabilities	\$ 156,870	\$ 158,126
The Royal Bank of Canada	943,007	2,282,500
Short-term promissory notes	775,336	821,636
Investment certificates		
Due within one year	1,796,901	1,586,817
Due beyond one year	2,186,898	1,452,674
Deferred income taxes	30,307	24,198
Preferred and common stock	112,800	164,800
Contributed surplus	60,000	60,000
Retained earnings	45,221	33,664
	<u>\$6,107,340</u>	<u>\$6,584,415</u>

RoyLease Limited (a wholly-owned subsidiary)

Statement of Assets and Liabilities

(in thousands of dollars)

	October 31, 1984	October 31, 1983
Assets		
Receivable under lease agreements	\$509,378	\$474,793
Amount due under conditional sale agreements	16,053	42,003
Other	6,751	1,499
	<u>\$532,182</u>	<u>\$518,295</u>
Liabilities		
Accrued interest and other liabilities	\$ 17,930	26,998
Short-term promissory notes	71,901	49,337
Long-term debt		
The Royal Bank of Canada	18,850	19,125
Other	289,518	300,463
Deferred income taxes	71,122	60,777
Common stock	21,975	21,975
Retained earnings	40,886	39,620
	<u>\$532,182</u>	<u>\$518,295</u>

Statement of Income

(in thousands of dollars)

	Year Ended October 31, 1984	Year Ended October 31, 1983
Income		
Interest on mortgages	\$675,032	\$560,110
Interest on investments	65,639	33,279
	<u>740,671</u>	<u>593,389</u>
Expenses		
Interest - The Royal Bank of Canada	180,796	48,220
Interest on short-term promissory notes	92,327	102,087
Interest on investment certificates	389,710	350,376
Operating expenses	57,777	43,192
	<u>720,610</u>	<u>543,875</u>
Net Income Before Income Taxes	20,061	49,514
Income taxes	(5,183)	15,491
Net Income	<u>\$ 25,244</u>	<u>\$ 34,023</u>

Statement of Income

(in thousands of dollars)

	Year Ended October 31, 1984	Year Ended October 31, 1983
Income		
Leases	\$63,750	\$59,978
Conditional sales agreements	4,312	15,803
	<u>68,062</u>	<u>75,781</u>
Expenses		
Interest on short-term promissory notes	4,265	4,695
Interest on long-term debt		
The Royal Bank of Canada	3,745	7,467
Other	26,244	26,173
Operating expenses	12,306	15,335
	<u>46,560</u>	<u>53,670</u>
Net Income Before Income Taxes	21,502	22,111
Income taxes	10,236	10,197
Net Income	<u>\$11,266</u>	<u>\$11,914</u>

16. Condensed Financial Statements of Mortgage, Leasing and Venture Capital Subsidiaries (continued)

Royal Bank Venture Capital Limited (a wholly-owned subsidiary)

Statement of Assets and Liabilities

(in thousands of dollars)

	October 31, 1984	October 31, 1983
Assets		
Cash and short-term deposits	\$ 85	\$ 82
Investments	6,922	—
Other assets	134	18
	\$7,141	\$100
Liabilities		
Accrued interest and other liabilities	\$ 144	\$ 29
The Royal Bank of Canada	3,116	—
Common stock	3,905	5
Retained earnings (deficit)	(24)	66
	\$7,141	\$100

Statement of Income

(in thousands of dollars)

	Year Ended October 31, 1984	Year Ended October 31, 1983
Income		
Interest and dividends	\$342	\$ —
Fees and commissions	232	342
	574	342
Expenses		
Interest — The Royal Bank of Canada	199	—
Operating Expenses	464	319
	663	319
Net Income (Loss) Before Income Taxes	(89)	23
Income taxes	—	8
Net Income (Loss)	\$ (89)	\$ 15

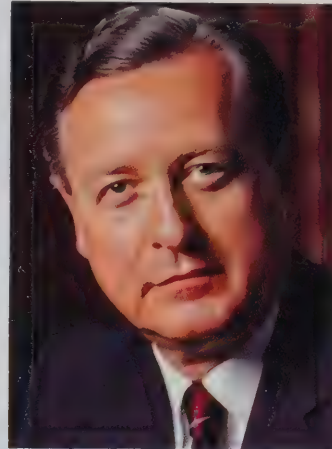
17. Corporations in which the Bank owns more than 10% of the Voting Shares	Principal Office Address	Carrying Value of Voting Shares owned by the Bank	Percent of Voting Shares owned by the Bank
Royal Bank Mortgage Corporation	Montreal, Canada	\$120,021	100%
RoyLease Limited	Montreal, Canada	68,466	100
Royal Bank Realty Inc.	Montreal, Canada	88,132	100
Globe Realty Management Limited	Toronto, Canada		100
Royal Bank Export Finance Co. Ltd.	Toronto, Canada	10,000	100
Royal Bank Venture Capital Limited	Toronto, Canada	3,881	100
RoyNat Limited	Montreal, Canada	27,103	42
Chargex Limited	Montreal, Canada	—	25
The Royal Bank and Trust Company	New York, U.S.A.	163,968	100
Orion Royal Inc.	New York, U.S.A.		100
Banco de San Juan	San Juan, Puerto Rico	43,343	100
The Royal Bank of Canada (Middle East) S.A.L.	Beirut, Lebanon	1,972	55
RBC Australia Holdings Limited	Sydney, Australia	13,132	100
RBC Australia Limited	Sydney, Australia		100
RBC Australia Finance Limited	Sydney, Australia		100
RoyAust Management Limited	Sydney, Australia		100
The Royal Bank of Canada (Asia) Limited	Singapore	104,621	100
The Royal Bank of Canada International Limited	Nassau, Bahamas	241,829	100
Layor C.A.	Caracas, Venezuela		20
Canada International (Cayman) Limited	Georgetown, Grand Cayman		100
R.B.C. Investments Limited	Nassau, Bahamas		100
Banco Internacional S.A.	São Paulo, Brazil		50
Banco Royal Venezolano C.A.	Caracas, Venezuela		20
Banco Royalven Curaçao N.V.	Curaçao, Netherlands Antilles		36
Favourable Investments Ltd.	Hong Kong		25
Canadian Overseas Development Company Limited	Hong Kong		25
RoyWest Holdings Limited	Nassau, Bahamas		50
RoyWest Investments Limited	Nassau, Bahamas		50
RoyWest Trust Corporation Limited	Nassau, Bahamas		50
The Royal Bank of Canada Representacoes S/C Ltda.	São Paulo, Brazil	1,012	100
Royal Bank Trust Company (Barbados) Limited	Bridgetown, Barbados	644	100
Royal Bank Trust Company (Guyana) Limited	Georgetown, Guyana	111	100
R.B.C. Bay Street Properties Limited	Nassau, Bahamas	—	100
R.B.C. Bahamas Limited	Nassau, Bahamas	163,125	100
Finance Corporation of Bahamas Limited	Nassau, Bahamas		75
The Royal Bank of Canada (Barbados) Limited	Bridgetown, Barbados		100
RoyMidEast Limited	Georgetown, Grand Cayman		100
RoyCan International Banking Limited	Nassau, Bahamas		100
Bishops International Bank Limited	Nassau, Bahamas		100
Banco Royal Colombiano	Bogotá, Colombia	4,165	49
The Royal Bank of Trinidad and Tobago Limited	Port of Spain, Trinidad	40,553	47
Royal Bank Trust Company (Trinidad) Limited	Port of Spain, Trinidad		47
The Royal Bank Mortgage and Finance Company Limited	Port of Spain, Trinidad		47
General Finance Corporation Limited	Port of Spain, Trinidad		19
The Royal Bank Jamaica Limited	Kingston, Jamaica	4,487	48
Royal Bank Trust Company (Jamaica) Limited	Kingston, Jamaica		48
Computer Service & Programming Limited	Kingston, Jamaica		48
Ouvidor Industria E. Comercio Ltda.	Rio de Janeiro, Brazil	33	50
Caribbean Financial Services Corporation Limited	Bridgetown, Barbados	222	12

The carrying value of voting shares owned 20% or more by the Bank is stated at the Bank's equity in such investments.

17. Corporations in which the Bank owns more than 10% of the Voting Shares (continued)	Principal Office Address	Carrying Value of Voting Shares owned by the Bank	Percent of Voting Shares owned by the Bank
RBC Houdstermaatschappij, B.V.	Amsterdam, Netherlands	\$ 16,389	100%
The Royal Bank of Canada (Curaçao) N.V.	Curaçao, Netherlands Antilles		100
The Royal Bank of Canada (France) S.A.	Paris, France		100
RBC Finance B.V.	Amsterdam, Netherlands	64,756	100
Multinational Orion Leasing Holdings N.V.	Amsterdam, Netherlands	4,144	100
Orion Export Leasing Limited	Georgetown, Grand Cayman		100
Orion Leasing Nederland B.V.	Amsterdam, Netherlands		100
Orion Leasing Singapore Pte. Limited	Singapore		100
RBC Management Services B.V.	Amsterdam, Netherlands	1,752	100
Orion Multinational Services Limited	London, England		100
Orion Multinational Services Inc.	New York, U.S.A.		100
RBC Holdings B.V.	Amsterdam, Netherlands	229,417	100
Orpac Holdings Limited	Hong Kong		100
The Royal Bank of Canada (Suisse) S.A.	Geneva, Switzerland		100
The Royal Bank of Canada A.G.	Dortmund, Germany		100
Intercontact GMBH	Düsseldorf, Germany		100
Hansische Kaufmannsbank A.G.	Düsseldorf, Germany		100
The Royal Bank of Canada (Belgium) S.A.	Brussels, Belgium		100
The Royal Bank of Canada (Channel Islands) Limited	Guernsey, Channel Islands		100
Orion Royal Bank (Guernsey) Limited	Guernsey, Channel Islands		100
RBC Investment Managers Limited	Guernsey, Channel Islands		100
The Royal Bank of Canada Trustees (Jersey) Limited	Jersey, Channel Islands		100
The Royal Bank of Canada Trustees (Guernsey) Limited	Guernsey, Channel Islands		100
RoyCan Trust Company, A.G.	Zug, Switzerland		100
The Royal Bank of Canada (Overseas) N.V.	Curaçao, Netherlands Antilles		100
InchRoy Credit Corporation Limited	Hong Kong		70
China Investment and Finance Limited	Hong Kong		50
The Royal Bank of Canada Holdings (U.K.) Limited	London, England		100
Libra Bank Limited	London, England		11
The Royal Bank of Canada Trade Finance Limited	London, England		100
RBC Trade Finance Serviços Ltda.	São Paulo, Brazil		100
RBC Trade Finance Inc.	New York, U.S.A.		100
RBC Trade Finance S.A.	Brussels, Belgium		100
The Royal Bank of Canada Forfait Finance Limited	London, England		100
The Royal Bank of Canada Trade Credit Limited	London, England		100
Tennant Guaranty Limited	London, England		100
Tennant OFE S.A.	Paris, France		70
The Royal Bank of Canada Properties (U.K.) Limited	London, England		100
Chancellor Investments Limited	London, England		100
Orion Royal Bank Limited	London, England		100
Orion (Cayman) Limited	Georgetown, Grand Cayman		100
Orion Leasing Holdings Limited	London, England		100
Orion Leasing Limited	London, England		100
Orion Factors Limited	London, England		100
Orion Finance Limited	London, England		100
Orion Pacific Holdings Limited	Hong Kong		100
Orion Royal Pacific Limited	Hong Kong		100
Orion Caribbean Limited	Georgetown, Grand Cayman		100
RBC Systems Limited	London, England		100
Western Trust & Savings Holdings Limited	Plymouth, England		100
Western Trust & Savings Insurance Services Limited	Plymouth, England		100
Western Trust & Savings Limited	Plymouth, England		100



Rowland C. Frazee
Montreal
*Chairman and Chief
Executive Officer*
The Royal Bank of
Canada



Allan R. Taylor
Toronto
*President and Chief
Operating Officer*
The Royal Bank of
Canada



H. E. Wyatt
Calgary
Vice-Chairman
The Royal Bank of
Canada



R. A. Utting
Montreal
Vice-Chairman
The Royal Bank of
Canada



W. O. Twaits, C.C.
Toronto
Vice-President
Company Director



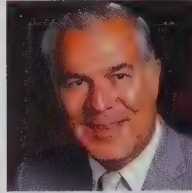
Robin W. Adam
London, England
Chairman
MEPC plc



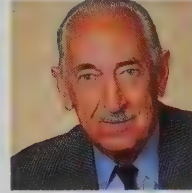
John Anderson
Vancouver
President and Chief Executive Officer
Westcoast Transmission Company Limited



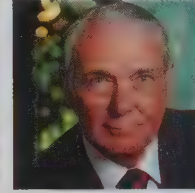
John A. Armstrong
Toronto
Company Director



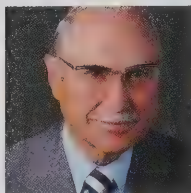
Ian A. Barclay
Vancouver
Vice-Chairman
British Columbia Forest Products Limited



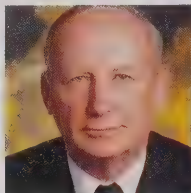
T. J. Bell,*
M.C., C.D., LL.D.
Toronto
Director
Abitibi-Price Inc.



G. H. Blumenauer
Hamilton
Chairman of the Board
Otis Canada Inc.



G. Allan Burton,
D.S.O., E.D., LL.D.
Toronto
Company Director



R. B. Cameron,*
O.C., D.S.O.
New Glasgow
Chairman
Cameron Corporation Limited



Robert W. Campbell
Calgary
Chairman and Chief Executive Officer
Canadian Pacific Enterprises Limited



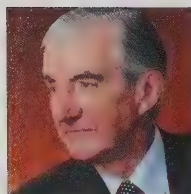
Frank B. Common, Jr.,
Q.C.
Montreal
Counsel
Ogilvy, Renault



Camille A. Dagenais,
C.C., LL.D.
Montreal
Chairman
The SNC Group



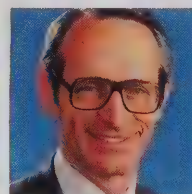
Mrs. Mitzi S. Dobrin
Montreal
Executive Vice-President, Legal & Corporate Affairs
Steinberg Inc.



Sir Alastair Down,*
O.B.E., M.C., T.D.
Devon, England
Company Director



G. Campbell Eaton,
O.C., M.C., C.D., LL.D.
St. John's, Nfld.
Managing Director
Newfoundland Tractor & Equipment Co., Ltd.



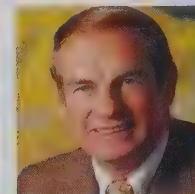
John R. Evans,
C.C., M.D.
Mississauga
Chairman and Chief Executive Officer
Allelix Inc.



Jock K. Finlayson
Montreal
Chairman
Royal Insurance Company of Canada



W. D. H. Gardiner
Vancouver
President
W. D. H. G. Financial Associates Ltd.



D. R. Getty
Edmonton
President
D. Getty Investments Ltd.



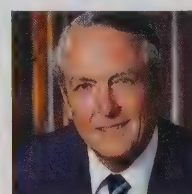
Charles H. Knight
Regina
Chief Executive Officer
Denro Holdings Ltd.



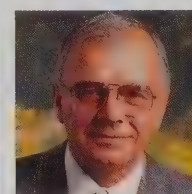
Walter F. Light
Mississauga
Chairman
Northern Telecom Limited



Tong Louie*
Vancouver
President and Chief Executive Officer
H. Y. Louie Co. Limited



P. L. P. Macdonnell,
C.M., Q.C.
Edmonton
Partner
Milner & Steer



J. D. MacLennan*
Vancouver
Chairman of the Board
Canadian Dredge and Dock Inc.



Clifford S. Malone
Toronto
President and Chief Executive Officer
Wabasso Inc.



J. Pierre Maurer
New York
Executive Vice-President
Metropolitan Life Insurance Company



John R. McCaig*
Calgary
Chairman and Chief Executive Officer
Trimac Limited



D. K. McIvor
Toronto
Chairman and Chief Executive Officer
Imperial Oil Limited



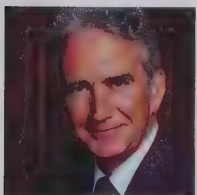
Mrs. Dawn R. McKeag
Winnipeg
President
Walford Investments Ltd.



W. Earle McLaughlin
Montreal
Former Chairman of the Board
The Royal Bank of Canada



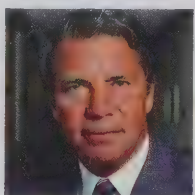
J. W. E. Mingo,
Q.C.
Halifax
Barrister
Stewart MacKeen & Covert



Pierre A. Nadeau
Montreal
Chairman of the Board
Tioxide Canada Inc.



J. Edward Newall
Mississauga
Chairman, President and Chief Executive Officer
Du Pont Canada Inc.



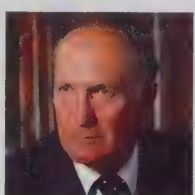
Paul Paré
Montreal
Chairman and Chief Executive Officer
Imasco Limited



Ralph A. Pfeiffer, Jr.
North Tarrytown, N.Y.
Chairman and Chief Executive Officer
IBM World Trade Americas/Far East Corporation



Neil F. Phillips, Q.C.
Montreal
Partner
Phillips & Vineberg



Herbert C. Pinder
Saskatoon
President
Saskatoon Trading Company Limited



Claude Pratte,
Q.C.
Quebec
Partner
Stein, Monast, Pratte & Marseille



L. Merrill Rasmussen*
Englewood, Colorado
President
RMT Properties, Inc.



Charles I. Rathgeb
Toronto
Chairman
Comstock International Ltd.



A. M. Runciman*
Winnipeg
Company Director



P. N. Thomson
New Providence, Bahamas
Chairman and President
West Indies Power Corporation Limited



John A. Tory,
Q.C.
Toronto
President
The Thomson Corporation Limited



W. P. Wilder
Toronto
Chairman
The Consumers Gas Company Ltd.



C. N. Woodward
Vancouver
Chairman of the Board and Chief Executive Officer
Woodward's Limited

**Retiring January 10, 1985*

The five standing committees of the Board of Directors of The Royal Bank of Canada, as listed below, have the responsibility of maintaining integrity and sensitivity within the major areas of activity of the Bank consistent with the strategic development goals of the Corporation.

The Loan Policy Committee sustains an advisory role with regard to the lending policies and practices of the Bank.

Chairman: P.N. Thomson.
Members: F.B. Common, Jr., R.C. Frazee, P.L.P. Macdonnell, J.D. MacLennan, C.S. Malone, J.W.E. Mingo, W.O. Twaits, R.A. Utting, C.N. Woodward.

The Loan Policy Committee reviews and monitors the application of credit policy to ensure prudent risk management and consistent strategic planning. Loans of magnitude exceeding the generally acceptable percentage of capital, and those involving unusual circumstances are studied by the committee prior to management approval. Loans to directors and employees are approved by this group and, as required by the Bank Act, are reported to the Board of Directors. Finally, subject to the provisions of the Bank Act, administrative matters of an urgent nature may be referred to this committee for approval prior to subsequent review by the following meeting of the Board.

The committee meets regularly, twice a month, in addition to policy meetings and reports its activities to the Board with appropriate recommendations, desirable in the circumstances.

The Audit Committee assumes the responsibility of reviewing the audited annual financial statements and internal control procedures of the Bank, and of ensuring that disclosure of accurate, reliable data is made to interested parties.

Chairman: N.F. Phillips.
Members: I.A. Barclay, G.H. Blumenauer, R.B. Cameron, Donald K. McIvor, H.C. Pinder.

The Audit Committee, through meetings with shareholders' auditors, Chief Inspector and periodic reviews of internal control procedures and accounting practices

of the Bank, ensures compliance with the law and avoidance of conflicts of interest. Management information systems development and revisions to accounting practices are also subject to review by this committee.

The committee meets as required and at least twice annually. It reports to the Board of Directors on its activities, particularly its review of the Bank's financial statements and on the nomination and remuneration of auditors.

The Nominating Committee, under given criteria governing the overall composition of the Board, is elected to recommend suitable candidates for appointment as directors.

Chairman: Mrs. M.S. Dobrin.
Members: Sir Alastair Down, W.D.H. Gardiner, J.R. McCaig, P. Paré, C. Pratte.

The Nominating Committee, under guidelines established to sustain Board composition, reviews and recommends areas of representation which are complementary to the Bank's strategic development goals. The committee further seeks to identify candidates who are able and willing to participate in the diverse scope of the Royal Bank's activities.

The committee meets at least semi-annually and is required to report to the Board of Directors at least once each fiscal year.

The Personnel and Compensation Committee, in an advisory capacity, reviews and monitors Personnel policies, management development program and total compensation practices of the Bank.

Chairman: John A. Tory.
Members: John Anderson, J.A. Armstrong, W.F. Light, J.P. Maurer, W.P. Wilder.

The Personnel and Compensation Committee is charged with periodic reviewing of the Bank's long range plans and policies for

recruiting, developing and motivating personnel. Compensation practices and management succession are areas of regular review and approval of remuneration of the Bank's most senior executive staff is required of this committee.

The committee is required to submit to the Board of Directors a report on its activities and any recommendations it deems appropriate.

The Public Policy Committee reviews the Bank's public posture to ensure that its operations remain consonant with the changing values and expectations of society.

Chairman: Mrs. D.R. McKeag.
Members: C.A. Dagenais, D.R. Getty, T. Louie, W.E. McLaughlin, P.A. Nadeau, L.M. Rasmussen, C.I. Rathgeb.

The Public Policy Committee acts in an advisory capacity to the Board of Directors in areas relating to the Bank's overall interaction with its various key publics. Studies of the Bank's efforts to ensure ethical and socially responsible business conduct, corporate responsibility by way of both human resource and financial contributions, and the appropriateness of Public Affairs considerations as related to the strategic goals, form the key elements of this committee's functional mandate.

Reports and recommendations are made annually to the Board of Directors, subsequent to at least two meetings of the committee during the fiscal year.

Executive Officers	<i>Vice-Presidents</i>	<i>Vice-President & Chief Inspector</i>	W.H. Gilbert (Toronto)
<i>Chairman & Chief Executive Officer</i>	R.W. Baguley	D.F.W. Bruce	W.J. Grace (Toronto)
Rowland C. Frazee	A.A. Bowbyes (Toronto)	<i>Vice-President & Secretary</i>	J.A.R. Guay (Montreal)
<i>President & Chief Operating Officer</i>	M.A. Brennan	R.J. Moores	R.F. Gulliford (Toronto)
A.R. Taylor (Toronto)	W.P. Carter		R.A.R. Haskins (Vancouver)
<i>Vice-Chairman</i>	B.D. Champion	Field Management	R.F. Hemeon (Vancouver)
R.A. Utting	J.P. Clarke	<i>Senior Vice-Presidents &</i>	J.E. Henry (Calgary)
<i>Vice-Chairman</i>	M.A. Corlett (Toronto)	<i>General Managers</i>	J.E. Johannesson (Toronto)
H.E. Wyatt (Calgary)	C.J. Coveyduck	H.G. Buckrell (Halifax)	A.L. Johnson (Toronto)
<i>Senior Executive Vice-President</i>	A.R. Creasor	W.D. Henry (Toronto)	J.D. Johnstone (Toronto)
<i>Financial Control & Administration</i>	W.D. Dobson (Ottawa)	G.J. Johnson (New York)	K.N. Kikano (London, England)
A.H. Michell	J. Driedger	W.C.C. Mackay (London, England)	S.B. Labarge (Montreal)
<i>Senior Executive Vice-President</i>	G.E. Farrow (Toronto)	J.G. Macpherson (Vancouver)	R.P. Lasnier (Montreal)
<i>Domestic Banking</i>	E.D. Ferguson (Toronto)	W.J. McCartney (Calgary)	E.W. Latimer (Hamilton)
M.J. Regan	W.R. Fithern	J.B. McDonald (Winnipeg)	J.Y. Lawrie (Hong Kong)
<i>Senior Executive Vice-President</i>	J.M. Froese (Toronto)	J.N.T. Rednall (Hong Kong)	J.M. Lejeune (Montreal)
<i>International and Corporate Banking</i>	B.C. Galloway (Toronto)	R.B. Robertson (Regina)	K.A. Littlewood (Calgary)
R.G.P. Styles (Toronto)	J.J. Gannon	C.P. de Souza (Coral Gables, Florida)	G.D. Loewen (Montreal)
	R. Gazard (Toronto)	M.L. Turcotte (Montreal)	E.J. Lundy (Vancouver)
Head Office Management	D.L. Glasgow	<i>Senior Vice-Presidents</i>	I.A. MacKay (New York)
<i>Executive Vice-Presidents</i>	B.M. Gray (Toronto)	M.C.S. Baptista (Toronto)	W.D. Marble (Edmonton)
J.E. Cleghorn (Toronto)	D.D.E. Grier (Toronto)	W.J. Gorman (Toronto)	A.A. McArthur (Houston)
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B.V. Kelly (Toronto)	J.R. Groves (Toronto)	W.J.H. Nimmo (Toronto)	J.M. Messmer (Toronto)
R.C. Paterson (Toronto)	K.W. Harrison (Calgary)	A. de Takacsy (London, England)	S.A. Middaugh (Halifax)
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N.C. Achen (Toronto)	A.J. Hogan	<i>Vice-Presidents</i>	W.R. Penner (Toronto)
G.C. Aitken (Toronto)	R.W. Hoke (Toronto)	J.D. Anderson (San Francisco)	J.E.G. Perron (Quebec City)
W.C. Bull	R.G. Hunkin	W.D. Anderson (Winnipeg)	H.A. Philpott (Regina)
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J.C. Grant (Toronto)	F.H.S. Lablans (Toronto)	R.G. Bernard (Montreal)	J.H. Prenger (Toronto)
E.L. Grosland (Toronto)	F.G. MacDonald	J.G. Bisaillon (Montreal)	D.L. Robertson (London, England)
H.S. Hardy	J.K. MacKay	T.W. Bleackley (Vancouver)	M.J. Ross (New York)
D.N. Kitchen (Calgary)	C.G. MacKenzie	A.W. Broughton (London, England)	D.R. Séguin (Montreal)
W.A.R. MacDonald	B.C. Marshall (Toronto)	J.H.G. Camiré (Montreal)	K.A. Smee (Toronto)
W.J. MacKay	B.D. Marshall (Toronto)	A.M. Channell (Coral Gables, Florida)	R.J. Sutherland (Toronto)
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P.J. Rossiter (Toronto)	K.J. Morrison (Toronto)	A.E. Colling (Toronto)	J.A.B. Townley (London, England)
J.C. Sinclair (Toronto)	M.A. Nicolai (Toronto)	J.D. Davison (Toronto)	R.E. Travis (Winnipeg)
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	H.C. Stewart	L.G. Edmonds (Vancouver)	
	E.G. Stone	H.E. Elsie (Coral Gables, Florida)	
	J.K. Talbot (Toronto)	V.T. Forster (New York)	
	G.C. Tibbatts	G.F. Gaffney (Vancouver)	
	P.H. Tucker	J. Garon (Montreal)	
	K.A. von dem Hagen (Toronto)	L.K. Gieck (Calgary)	
	B.G. Wallace (Toronto)		
	J.C. Walz (Toronto)		
	D.S. Wells		
	G.W. Wheeler (Toronto)		
	K.G. Wilson		
	G.M. Youssef (Toronto)		



Head Office
1 Place Ville Marie
P.O. Box 6001
Montreal, Quebec
Canada H3C 3A9

Canadian Field Headquarters

Atlantic Provinces
5161 George Street
P.O. Box 1147
Halifax, Nova Scotia
B3J 2Y1

*Senior Vice-President and
General Manager*
H.G. Buckrell
140 branches
(New Brunswick-31,
Newfoundland-20,
Nova Scotia-83,
Prince Edward Island-6)

Quebec
5 Place Ville Marie
P.O. Box 6001
Montreal, Quebec
H3C 3A9

*Senior Vice-President and
General Manager*
M.L. Turcotte
202 branches
(Quebec-201,
Northwest Territories-1)

Ontario
Royal Bank Plaza
200 Bay Street
Toronto, Ontario
M5J 2J5

*Senior Vice-President and
General Manager*
W.D. Henry
534 branches



Manitoba
220 Portage Avenue
Winnipeg, Manitoba
R3C 2T5

*Senior Vice-President and
General Manager*
J.B. McDonald
99 branches

Saskatchewan
2010-11th Avenue
Regina, Saskatchewan
S4P 3A2

*Senior Vice-President and
General Manager*
R.B. Robertson
114 branches

Alberta
335 Eighth Avenue S.W.
Calgary, Alberta
T2P 2N5

*Senior Vice-President and
General Manager*
W.J. McCartney
168 branches
(Alberta-166,
Northwest Territories-2)

British Columbia
1055 West Georgia Street
Vancouver, British Columbia
V6E 3S5

*Senior Vice-President and
General Manager*
J.G. Macpherson
183 branches
(British Columbia-182,
Yukon-1)

Domestic Subsidiaries and Affiliates

Royal Bank Export Finance Co. Ltd.
Royal Bank Venture Capital Limited
Royal Bank Plaza
200 Bay Street
Toronto, Ontario
M5J 2J5



Royal Bank Mortgage Corporation
Royal Bank Realty Inc.
RoyLease Limited
1 Place Ville Marie
P.O. Box 6001
Montreal, Quebec
H3C 3A9

RoyNat Ltd.
620 Dorchester Boulevard West
Montreal, Quebec
H3B 1P2

International Field Headquarters

Asia Pacific
18th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
G.P.O. 3302
Hong Kong
*Senior Vice-President and
General Manager*
J.N.T. Rednall

Europe, Middle East & Africa
99 Bishopsgate
London EC2M 3XQ
England, United Kingdom

*Senior Vice-President and
General Manager*
W.C.C. Mackay

Latin America & Caribbean
2199 Ponce de Leon Boulevard
Coral Gables, Florida 33134
U.S.A.

*Senior Vice-President and
General Manager*
C.P. de Souza

U.S.A.
Park Avenue Plaza
55 East 52nd Street
New York, N.Y. 10055
U.S.A.

*Senior Vice-President and
General Manager*
G.J. Johnson



World Corporate Banking Field Headquarters

Canada
Royal Bank Plaza
200 Bay Street
Toronto, Ontario
M5J 2J5

Senior Vice-President
W.J.H. Nimmo

Europe
99 Bishopsgate
London EC2M 3XQ
England, United Kingdom
Senior Vice-President
W.N. McFadyen

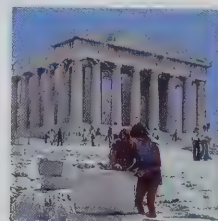
Japan
14th Floor
Hibiya Kokusai Building
2-2-3 Uchisaiwai-cho
Chiyoda-ku
C.P.O. Box 1709
Tokyo 100
Vice-President
J.T. Clayden

U.S.A.
Park Avenue Plaza
55 East 52nd Street
New York, N.Y. 10055
U.S.A.
Senior Vice-President
J.M. Walker

International Business Units

Antigua
Branch
25-26 High Street at Market
P.O. Box 252
St. John's

Argentina
Main Branch and Regional Office
Florida 202 (Esq. Cangallo)
Casilla de Correo 1899
Buenos Aires
(2 sub-branches in Buenos Aires)



Representative Office
Florida 234-2nd Floor
P.O. Box 1899
Buenos Aires

Australia
Representative Office
10th Floor
RBC House
151 Macquarie Street
Sydney, N.S.W. 2000

Subsidiaries
RBC Australia Limited
RBC Australia Finance Limited
10th Floor
RBC House
151 Macquarie Street
Sydney, N.S.W. 2000

Bahamas
Regional Office
Beaumont House
327 Bay Street
P.O. Box N-7549
Nassau, N.P.
Main Branch
P.O. Box N-7537
323 Bay Street
Nassau, N.P.
16 other branches/sub-branches
in Bahamas

Subsidiaries
Finance Corporation of Bahamas
Limited
Frederick House
Frederick Street
P.O. Box N-3038
Nassau, N.P.
The Royal Bank of Canada
International Limited
Beaumont House
P.O. Box N-3024
Nassau, N.P.
Affiliate
RoyWest Trust Corporation (Bahamas)
Limited
West Bay Street
P.O. Box N-7788
Nassau, N.P.

Bahrain
Representative Office
Kanoo Commercial Center
4th Floor
Manama

Barbados
Main Branch and Regional Office
P.O. Box 68
Broad Street
Bridgetown
(5 sub-branches in Barbados)

Subsidiaries
The Royal Bank of Canada (Barbados)
Limited
Trident House
Lower Broad Street
P.O. Box 1022
Bridgetown
The Royal Bank Trust Company
(Barbados) Limited
Trident House
Lower Broad Street
P.O. Box 626C
Bridgetown

Belgium
Subsidiaries
The Royal Bank of Canada
(Belgium) S.A.
RBC Trade Finance S.A.
Rue de Ligne 1
B-1000 Bruxelles

Belize
Branch
60 Market Square
P.O. Box 364
Belize City
(3 other branches in Belize)

Brazil
Representative Office
The Royal Bank of Canada
Representações S/C Ltda.
Av. Paulista 949 C.J. 121
01311 São Paulo

Subsidiary
RBC Trade Finance Serviços Ltda.
Rua Boa Vista 208
14º Andar
01014 São Paulo

Affiliate
Banco Internacional S.A.
Caixa Postal 8065
Rua 15 de Novembro 240
01000 São Paulo

Cayman Islands
Branch
P.O. Box 245
Cardinal Avenue
George Town
Grand Cayman
Affiliate
RoyWest Trust Corporation (Cayman)
Limited
P.O. Box 707
Grand Cayman

Channel Islands
Subsidiaries
RBC Investment Managers Limited
P.O. Box 246
Ann's Place
St. Peter Port, Guernsey
The Royal Bank of Canada
(Channel Islands) Limited
The Royal Bank of Canada Trustees
(Guernsey) Limited
The Royal Bank of Canada Trustees
(Jersey) Limited
P.O. Box 48
St. Julian's Avenue
St. Peter Port, Guernsey
Orion Royal Bank (Guernsey) Limited
P.O. Box 246
3 College Street
St. Peter Port, Guernsey

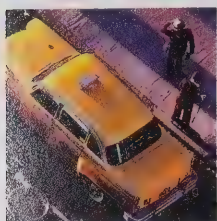
China (People's Republic of)
Representative Office
Room 5088, Beijing Hotel
Beijing

Colombia
Affiliate
Banco Royal Colombiano
Apartado Aéreo 3438
Bogotá

Commonwealth of Dominica
Branch
The Royal Bank of Canada
Bayfront
P.O. Box 19
Roseau

Dominican Republic
Main Branch and Regional Office
Avenida 27 de Febrero
Esquina Winston Churchill,
Apartado 1390
Santo Domingo
(11 other branches/sub-branches in
Dominican Republic)

Egypt
Representative Office
3, Abu El Feda Street
Zamalek
Cairo



France
Branch
3, rue Scribe
75009 Paris

Subsidiaries
The Royal Bank of Canada (France) S.A.
3, rue Scribe
75440 Paris
Cedex 09
Tennant-OFE S.A.
91, rue Saint-Lazare
75009 Paris

Germany (Federal Republic of)
Subsidiary
The Royal Bank of Canada A.G.
P.O. Box 102247
Bockenheimer Landstrasse 61
D.6000 Frankfurt (Main) 1

Greece
Subsidiary
RoyMidEast Limited
Leoforas Kifissias 38
Paradissos Amaroussion
Athens

Haiti
Main Branch
Rue Magasin de L'Etat &
rue des Miracles No. 12
P.O. Box 1315
Port-au-Prince
(1 sub-branch in Port-au-Prince)

Hong Kong
Branch
18th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
G.P.O. Box 3302
Hong Kong



Subsidiaries
InchRoy Credit Corporation Limited
3908 Windsor House
311 Gloucester Road
P.O. Box 31386
Causeway Bay

Orion Royal Pacific Limited
28th Floor
Alexandra House
16-20 Chater Road, Central

Affiliate
China Investment & Finance Limited
23rd Floor
Connaught Centre
1 Connaught Place, Central

Jamaica
Affiliates
The Royal Bank Jamaica Limited
Royal Bank Building
30/36 Knutsford Blvd.
P.O. Box 612
Kingston
(13 other branches in Jamaica)
Royal Bank Trust Company
(Jamaica) Limited
Royal Bank Building
30/36 Knutsford Blvd.
P.O. Box 622
Kingston

Japan
Branch
14th Floor
Hibiya Kokusai Building
2-2-3 Uchisaiwai-Cho
Chiyoda-ku
C.P.O. Box 1709
Tokyo 100
Subsidiary
Orion Royal Bank Limited
Japan Representative Office
14th Floor
Hibiya Kokusai Building
2-2-3 Uchisaiwai-Cho
Chiyoda-ku
C.P.O. Box 1709
Tokyo 100



Korea
Branch
Kyobo Building
7th Floor
1-1,1-Ka, Chongro
Chongro-Ku
C.P.O. Box 5374
Seoul

Lebanon
Subsidiary
The Royal Bank of Canada
(Middle East) S.A.L.
Immeuble Hanna Ghantous & Sons
First Floor
Dora, Beirut

Mexico
Representative Office
Apartado Postal 6-1020
Hamburgo 172
Piso 5
Mexico 6 D.F.

Montserrat
Branch
Parliament Street
P.O. Box 222
Plymouth

Netherlands
Subsidiaries
RBC Finance B.V.
RBC Holdings B.V.
RBC Houdstermaatschappij B.V.
RBC Management Services B.V.
Keizersgracht 604
1017 EP Amsterdam
Orion Leasing Nederland B.V.
Herengracht 489
1017 BT Amsterdam

Netherlands Antilles
Subsidiaries
The Royal Bank of Canada
(Curaçao) N.V.
The Royal Bank of Canada
(Overseas) N.V.
Kaya Flamboyant No. 5
Plaza Rooi Catootje
P.O. Box 3468
Willemstad
Curaçao



Panama
Branch
Avenida Manuel Maria Icaza No. 7
Apartado H
Panama 5

Puerto Rico
Main Branch and Regional Office
255 Ponce de Leon Avenue
P.O. Box 819
Hato Rey
(4 other branches in Puerto Rico)
Subsidiary
Banco de San Juan
Banco de San Juan Tower
654 Munoz Rivera Avenue
Hato Rey

St. Kitts
Branch
Fort & Bay Roads
P.O. Box 91
Basseterre

St. Lucia
Branch
Boulevard & Laborie Streets
P.O. Box 280
Castries

St. Vincent
Branch
No. 81 South River Road
P.O. Box 118
Kingstown

Singapore
Branch
140 Cecil Street #01-00
PIL Building
Singapore 0106
Subsidiary
The Royal Bank of Canada (Asia)
Limited
140 Cecil Street #16-00
PIL Building
Singapore 0106

Spain
Representative Office
Paseo de la Castellana 51.3
Madrid 1



Switzerland
Subsidiary
 The Royal Bank of Canada (Suisse)
 Rue Diday 6
 Case Stand 130
 1211 Geneva 11

Affiliate
 RoyWest Trust Corporation S.A.
 Lausanne
 C.P. 120, Avenue d'Ouchy 41
 1000 Lausanne 13

Taiwan
Branch
 8th Floor
 Tun Hwa Financial Building
 214 Tun Hwa North Road
 P.O. Box 81-775
 Taipei 100

Thailand
Representative Office
 4th Floor
 Cathay Trust Building
 1016 Rama 4 Road
 Bangkok 5

Trinidad
Affiliates
 The Royal Bank of Trinidad and Tobago Limited
 3B Chancery Lane
 P.O. Box 287
 Port of Spain
 Royal Bank Trust Company (Trinidad) Limited
 P.O. Box 1293
 3B Chancery Lane
 Port of Spain
 The Royal Bank Mortgage and Finance Company Limited
 131 Oxford Street
 Port of Spain



United Arab Emirates
Branch
 P.O. Box 3614
 4th Floor
 Chamber of Commerce Building
 Deira, Dubai

United Kingdom
Main Branch
 6 Lothbury
 London EC2R 7JY
 (1 other branch in London)

Subsidiaries
 Orion Royal Bank Limited
 Orion Leasing Holdings Limited
 1 London Wall
 London EC2Y 5JX

The Royal Bank of Canada Forfait Finance Limited
 The Royal Bank of Canada Trade Finance Limited
 1 Seething Lane
 London EC3N 4BP
 The Royal Bank of Canada Holdings (U.K.) Limited
 99 Bishopsgate
 London EC2M 3XQ
 Western Trust & Savings Limited
 The Moneycentre
 Plymouth PL1 1SE

Affiliate
 Libra Bank Limited
 140 London Wall
 London EC2Y 5DN

U.S.A.
Branches
New York
 68 William Street
 New York, N.Y. 10005

Portland
 1515 South West 5th Avenue
 Suite 900
 Portland, Oregon 97201



Representative Offices
Chicago
 33 North Dearborn Street
 Suite 1200
 Chicago, Illinois 60602

Dallas
 4380 Thanksgiving Tower
 1601 Elm Street
 Dallas, Texas 75201

Denver
 821 Seventeenth Street
 Suite 300
 Denver, Colorado 80202

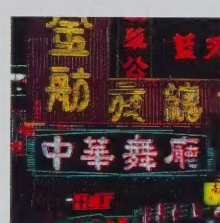
Houston
 Texas Commerce Tower
 Suite 6850
 600 Travis Street
 Houston, Texas 77002

Los Angeles
 600 Wilshire Boulevard
 Suite 600
 Los Angeles, California 90017

Miami
 777 Brickell Avenue
 Suite 908
 Miami, Florida 33131

Pittsburgh
 600 Grant Street
 Suite 4970
 United States Steel Building
 Pittsburgh, Pennsylvania 15219

San Francisco
 101 California Street
 Suite 2000
 San Francisco, California 94111-5880



Agencies
Miami
 777 Brickell Avenue
 Suite 908
 Miami, Florida 33131

San Francisco
 101 California Street
 Suite 2000
 San Francisco, California 94111-5880

Subsidiaries
 The Royal Bank and Trust Company
 68 William Street
 New York, N.Y. 10005

Orion Royal Inc.
 Park Avenue Plaza
 55 East 52nd Street
 New York, N.Y. 10055

Venezuela
Representative Office
 Edificio Cavendes Piso 7 Oficina 703
 Avenida Francisco de Miranda
 Los Palos Grandes
 Apartado 70666
 Caracas 1071A

Affiliate
 Banco Royal Venezolano C.A.
 Esquina de Animas Avenida Urdaneta
 Apartado 1009
 Caracas 1010

Stock Exchange Listings

Canada: Montreal, Toronto, Vancouver, Winnipeg and Alberta Stock Exchanges

U.K.: London Stock Exchange

Transfer Agent and Registrar

Canada: Montreal Trust Company of Canada—Montreal, Quebec; Toronto, Ontario; Halifax, Nova Scotia; Winnipeg, Manitoba; Regina, Saskatchewan; Calgary, Alberta; Vancouver, British Columbia.

U.K. Co-Agent: The Royal Bank of Canada, London, England.

Shareholder Dividend and Share Purchase Plan

Shareholders of record or beneficial owners of Common and/or of certain eligible series of preferred shares may enroll in the Plan. Participants in the Plan may elect to receive their dividends in the form of new Common Shares (stock dividends) or reinvest their cash dividends in new Common Shares. In both instances, the price of the new Common Shares is 95% of the average market price determined at the date of the dividend payment. Participants in the Plan may also make optional payments to purchase new Common Shares as frequently as once a month (on the Investment Date) for an aggregate amount up to Cdn. \$7,500 per quarterly dividend period at 100 per cent of the average market price.

Further information on the Shareholder Dividend and Share Purchase Plan may be obtained from the Manager, Shareholder Services, at the Bank's corporate headquarters.

Direct Deposit Service

Shareholders and debentureholders may also elect to have their dividends or interest deposited directly into their savings or chequing accounts at any financial institution which is a member of the Canadian Payments Association. To arrange, please write to the Manager, Shareholder Services, at the Bank's corporate headquarters.

Institutional Investor, Broker, Security Analyst Contact

Institutional investors, brokers, security analysts and others desiring financial information about the Bank should contact the Manager, Investor Relations, at the Bank's corporate headquarters.

Duplicate Annual Reports

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Information concerning the Royal Bank and its activities in Canada and abroad may be obtained from the Public Affairs Department at the Bank's corporate headquarters.

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P.O. Box 6001
Montreal, Quebec
Canada H3C 3A9

Street Address: 1 Place Ville Marie
Montreal, Quebec
Canada

Telephone: (514) 874-2110

Telex: 055-61086

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Montréal (Québec)
Canada H3C 3A9



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